



*Board Of Investments*  
Fiscal Year 2007 Annual Report

# MONTANA BOARD OF INVESTMENTS

## Department of Commerce

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Helena, MT 59620-0126  
[www.investmentmt.com](http://www.investmentmt.com)

**The Honorable Brian Schweitzer, Governor**

## BOARD MEMBERS

♦ ***Terry Moore, Chairman***

Executive Vice President & Chief Financial Officer  
First Interstate Bank  
Billings  
Term Ending 01/01/2011

♦ ***Elouise Cobell***

Chairperson  
Blackfeet National Bank  
Browning  
Term Ending 01/01/2009

♦ ***Teresa Cohea***

Vice President  
D.A. Davidson & Co.  
Helena  
Term Ending 01/01/2009

♦ ***Karl Englund***

Attorney  
Missoula  
Term Ending 01/01/2011

♦ ***Maureen Fleming***

Retired - Professor of Management  
School of Business Administration  
University of Montana, Missoula  
Term Ending 01/01/2011

♦ ***John Paull***

Battalion Chief  
Butte-Silver Bow Fire Department  
Butte  
Term Ending 01/01/2009

♦ ***Jack Prothero***

Retired  
Financial Representative  
Great Falls  
Term Ending 01/01/2009

♦ ***Jon Satre***

Engineer - Partner  
Gordon, Prill, Drapes  
Helena  
Term Ending 01/01/2011

♦ ***Jim Turcotte***

Financial Adviser  
Raymond James Financial Services  
Helena  
Term Ending 01/01/2009

**MONTANA BOARD OF INVESTMENTS**  
**Staff as of June 30, 2007**

- ◆ **Carroll V. South**  
Executive Director
- ◆ **Geri Burton**  
Deputy Director
- ◆ **Louise Welsh**  
Bond Program Officer
- ◆ **Anna Collins**  
Bond Program Assistant
- ◆ **Bobbie Pomroy**  
Portfolio Manager – Science & Tech
- ◆ **Julie D. Lutman**  
Network Administrator
- ◆ **Mary Noack**  
Network Administrator
- ◆ **Kimberly R. Dallas**  
Program Assistant/Board Secretary
- ◆ **Libby Groves**  
Administrative Assistant
- ◆ **Sara LaFountaine**  
Imaging/Scanning Assistant
- ◆ **Gayle Moon, CPA**  
Accounting Fiscal Manager
- ◆ **Mari Rohrig**  
Accountant
- ◆ **Roberta Diaz**  
Accountant
- ◆ **Polly Boutin**  
Accountant
- ◆ **Coralie Sciuchetti**  
Accountant
- ◆ **Linda Hunter**  
Accountant
- ◆ **Herbert Kulow, CMB**  
Sr. Portfolio Manager – Montana Investments
- ◆ **Nancy Rivera**  
Credit Analyst – Montana Investments
- ◆ **Clifford A. Sheets, CFA**  
Chief Investment Officer
- ◆ **Robert Bugni, CFA**  
Portfolio Manager – Fixed Income
- ◆ **Richard Cooley, CFA**  
Portfolio Manager – Fixed Income/STIP/Int'l Equity
- ◆ **Rande Muffick, CFA**  
Portfolio Manager – Domestic Equities
- ◆ **Edward Kelly**  
Portfolio Manager – External Managers
- ◆ **Daniel Zarling CFA**  
Director of Research
- ◆ **John Romasko, CFA, CPA**  
Investment Analyst – Fixed Income
- ◆ **Steve Strong**  
Investment Analyst
- ◆ **Jon Putnam**  
Investment Analyst
- ◆ **Jason Brent**  
Investment Analyst
- ◆ **Tim House**  
Investment Analyst
- ◆ **Teri Kolnik**  
Investment Analyst
- ◆ **Jon Shoen**  
Investment Analyst
- ◆ **Charlie Williamson**  
Investment Analyst

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## INTRODUCTION

The Montana Board of Investments (Board) is pleased to submit its Annual Report for the fiscal year ended June 30, 2007. This report, required by law, discloses investment performance for the past fiscal year, summarizes the in-state investment activities of the Board, and provides public access to audited financial statements. Unless otherwise noted, all references to years in this report are state fiscal years beginning July 1 and ending June 30.

### **General Board Responsibilities**

***Unified Investment Program*** - Article VIII, Section 13 of the Montana Constitution requires that the legislature provide for a unified investment program for public funds and that the program be audited annually. Section 17-6-201, MCA established the unified investment program, created the Board, and gave the Board sole authority to invest state funds in accordance with state law and the state Constitution. State law requires that the Board operate under the "prudent expert principle," defined as: 1) discharging its duties with the care, skill, prudence, and diligence that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims; 2) diversifying the holdings of each fund to minimize the risk of loss and maximize the rate of return; and 3) discharging its duties solely in the interest of and for the benefit of the funds managed.

Prior to the Board's assumption of the state's investment program, state funds were invested by individual state agency staff, usually on a part-time basis. The creation of the Board in 1972 permitted a full-time professional investment staff to invest all state and (at the discretion of local governments) local government funds. At its first meeting in August 1971 the Board established four major goals:

- to centralize the state's investments;
- to invest the state's idle cash;
- to increase earnings on the state's investments; and
- to establish a sound system of control over the investment process, including provisions for systematic financial reporting, measurement of investment results, and a regular independent audit.

The unified investment program has grown from a book value of \$321 million at year-end 1972 to a book value of \$12.03 billion at year-end 2007 - an annual average increase of 10.9 percent. During the same period, the number of accounts invested by the Board increased from 40 accounts to 479 accounts.

***In-State Investments*** - In addition to the Board's primary role of managing the state's unified investment program, the legislature has encouraged the Board to assist in Montana's economic development. Montana law (17-6-304, MCA) states that the "objectives for investment of the Permanent Coal Tax Trust Fund are to diversify, strengthen, and stabilize the Montana economy, and to increase Montana employment and business opportunities while maintaining and improving a clean and healthful environment." Section 17-6-305, MCA, states that "the Board shall endeavor to invest 25 percent of the Permanent Coal Tax Trust Fund . . . in the Montana economy, with special emphasis on investments in new or expanding locally owned enterprises." In recent years the legislature has created two new loan programs - the "Infrastructure and Value-Added Loan Programs" - and set aside \$80.0 million and \$70.0 million, respectively, of the Trust for each program.

**Commercial\Infrastructure/Value-Added Loans** - The Board manages these programs in conformance with the "prudent expert principle" and does not invest solely to improve Montana's economy. Operating the in-state investment program under the "prudent expert principle" has not prevented the Board from effectively investing the Trust to spur Montana's economy. Since the program's inception in 1984 through

2007, the Board has funded 1,214 loans totaling \$563.6 million in 44 of Montana's 56 counties. Loans funded by county are shown on Page 62.

**Mortgages** - The Board also purchases Montana mortgages with pension funds as a part of the in-state investment program. At year-end 2007 the Board held 1,291 mortgages with total book values of \$68.8 million in 48 of Montana's 56 counties - a decrease from the mortgages valued at \$80.8 million held at year-end 2006. The Board serves as a secondary market to qualified financial institutions in the in-state investment programs and does not lend directly to borrowers. Outstanding mortgages by county are shown on Page 60.

**Bond Program** - As a part of the Board's in-state investment activities, it also sells bonds and lends the proceeds to eligible governments for a variety of projects. Loan terms range from one to fifteen years, and short-term loans to finance cash flow deficits or interim financing are also available. Both the bond program and the in-state investment program, funded from the Permanent Coal Tax Trust, were created in fiscal year 1984 as part of the "Build Montana" program. Since the program's inception, \$251.4 million has been loaned to eligible governments. Additional information on the bond program is shown on Page 64.

**Securities Lending** - Section 17-1-113, MCA, authorizes the Board to lend securities held by the state. Investment firms borrow securities to cover short positions, failed deliveries, arbitrage trades, and other brokerage activities. In recent years the Board has lent securities to qualified borrowers who pass rigorous tests and meet high standards for credit quality. Although state law requires that securities on loan be collateralized at least 100 percent, the Board requires borrowers to maintain collateral at 102 percent for domestic securities and 105 percent for international securities. To ensure that the collateral ratio is maintained, securities on loan are marked to market daily and the borrower must provide additional collateral if the value of the securities on loan increases. In addition to the strict collateral requirements imposed by the Board, the credit quality of approved borrowers is monitored continuously.

State Street Bank and Trust, the state's custodial bank, manages the state's securities lending program and retains 25 percent of the income generated as compensation for managing the program. The state earned securities lending income of \$935,643 in 2007, compared to \$469,565 in 2006. Because this program is demand driven by the markets, earnings are volatile.

## **Board Operations**

**Board Staff** - The Board is comprised of nine members appointed by the Governor to staggered four-year terms. The Board also has two non-voting legislative liaisons, from different political parties; one appointed by the President of the Senate and one appointed by the Speaker of the House. The Board employs a Chief Investment Officer and an Executive Director who hire staff as authorized by the legislature. There are currently 34 full-time equivalents authorized as shown in the organizational chart on Page 4. Board staff also provides administrative support to the Montana Facility Finance Authority.

**Board Administrative Costs** - The investment portion of Board operations is funded by administrative charges against the funds it invests, while the bond program is primarily funded by the "spread" between the interest paid on bonds issued and interest received on loans made. Effective in 1998, the legislature has set the maximum fees the Board may charge in the investment program. The total investment fees charged, which includes BOI fees, external manager fees, and custodial bank fees are shown in the financial statements beginning on Page B-1.

## **Board Policies and Procedures**

**Investment Policies** - The Board adopts an investment policy for each individual fund it invests, except for funds investing in STIP only. The policies are tailored to the specific needs of the fund and are implemented only after consultation with the administrators of the funds. Asset allocations and investment time horizons are established by policy, as are the benchmarks against which investment performance is measured.

**Benchmarks** - The Board establishes benchmarks for each asset class and the custodial bank develops a composite benchmark for each pension fund that parallels the fund's asset allocation at market value.

**Board Meetings** – Regular Board meetings are held quarterly. Meeting dates, agenda, and minutes are posted on the Board's web page at [www.investmentmt.com](http://www.investmentmt.com). All Board decisions are discussed and voted on in meetings open to the public.

## **Report Content**

This report contains historical data from 1972 (the first fiscal year the Board managed the unified investment program) through 2007. All historical data were extracted from the Board's annual published reports. Statistical data are provided on the Board's investment activity in 2007 and changes in investments from 2006. Appendix A includes income generated by account and securities portfolios for all accounts managed by the Board. Appendix B contains the Board's audited financial statements with accompanying portfolios. The financial statements provide detailed information on the investment pools, the "all other funds" account, and the bond program.

## **Report Terminology**

**Book Values** of fixed-income investments represent the securities' par values, plus or minus amortized premiums or discounts. Book value of equity securities is the average cost of the securities at the time of purchase.

**Fair Market Values** reflect the value of securities on June 30 as priced by the Custodial Bank, or other sources.

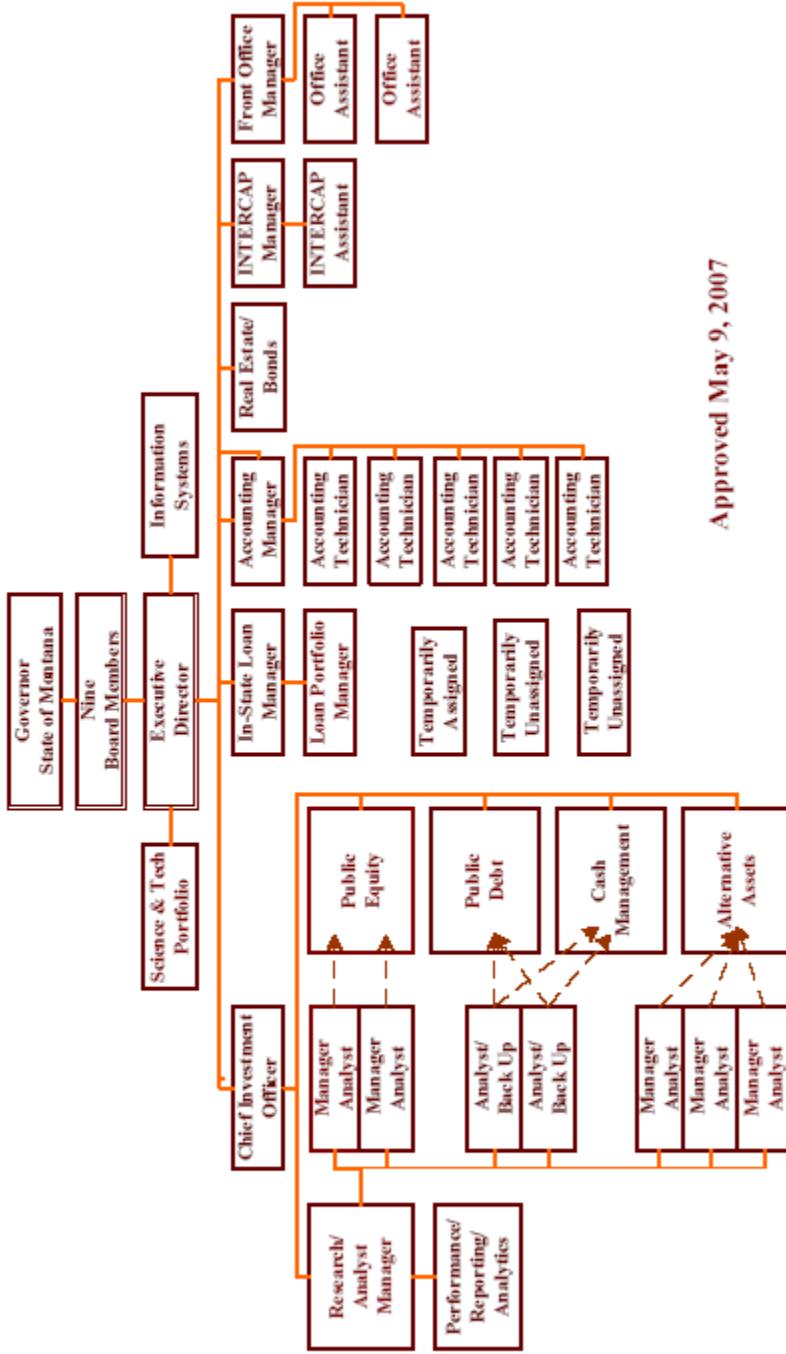
**Net Asset Value (NAV)** as it relates to Investment Pools reflects the fair value of the pool securities, adjusted for payables, receivables, and cash on hand at year end. The aggregate fair value of the pool units held by pool participants equals the NAV of the pool.

**Income Return** utilizes actual invested balances and investment income as recorded in the state accounting system. The calculation divides the annual net income by one-half the sum of the beginning and ending invested balances. The income includes interest, dividends, amortization of premiums/discounts, securities lending income, and distributed realized gain/loss. The calculation is performed by Board staff. Income return does not consider any change in the fair market value of the portfolio during the period.

**Total Rates of Return**, calculated by the custodial bank, includes all investment income and the unrealized gains/losses resulting from annual changes in the market value of investments, after cash flows are netted. For periods longer than one year the returns are compounded and annualized. The total rate of return is used by the Board to compare investment staff performance to various stock/bond indices selected by the Board.

# FUNCTIONAL ORGANIZATIONAL CHART

**Montana Board of Investment Functional Organization**



Approved May 9, 2007

## ECONOMIC & FINANCIAL MARKETS OVERVIEW

The Retirement Systems aggregate investment portfolios posted a total return of 17.95% for the fiscal year ended June 30, 2007. This was a very strong nominal return which far exceeded normal expectations and was well above the actuarial return assumption of 7.75 percent for the Teachers' Retirement System and 8.00 percent for the other retirement systems. The exceptional return for this fiscal year helped pull up longer term returns that were depressed from the equity bear market of 2000-2002. The past five year fiscal period annualized return is now 10.96 percent and the ten year return, 7.66 percent. The out performance for the year was primarily due to the equity exposure in the portfolio, both public and private. Stock market gains were dramatic, while bond returns were moderate. The portfolio was well-positioned to benefit from the gain in public equities, with U.S. and international stocks representing the majority of holdings at 62-64 percent throughout the fiscal year. The domestic stock portfolio return was 19.7 percent while international stocks enjoyed the strongest returns at 31.6 percent. Private equity, which grew from 5.7 percent to 7.6 percent of the portfolio over the year, also helped bolster the overall portfolio return given its 23.5 percent return. Fixed income assets, which declined from 27 percent to 24 percent of the portfolio during the year, enjoyed modest coupon-like returns at 6.9 percent.

The market environment during the year was a steady upward bull market for equities with few interruptions while bond markets were more volatile, initially rallying during the first half of the year and then declining during the second half as rates backed up. The economy was sluggish during the first three quarters of the fiscal year with growth ranging in the 0.6 percent to 2.1 percent range, but then finished with a strong 4.0 percent quarter. Inflation was well-behaved during the period, especially considering we are well into an economic upturn. Oil prices weakened during the first half of the year and then rose over the second half. Core CPI (excluding food and energy prices) never reached 3 percent and has trended down in recent months to only 2.2 percent as of June. The Federal Reserve stood pat with the Fed funds rate stable during the entire year at 5.25 percent. Non-U.S. economic growth accelerated during the year and the exchange value of the dollar continued to weaken, both supporting the strong performance of international equities. Also supportive of equity prices were corporate profits, the backbone of equity valuations, which continued to remain strong.

International equities, especially emerging market stocks, experienced the strongest returns for the fiscal year after a weak period of performance in the middle of 2006. Developed country markets enjoyed a return of 27.5 percent during the year and emerging markets had a phenomenal return of 45.5 percent. These returns were interrupted by only short bouts of market concern that prompted minor sell-offs during the spring. While U.S. stocks posted comparatively lower returns, they were still very high compared to long-term norms with the S&P 500 index up 20.6 percent. Small cap stocks lost their relative advantage during the year, posting a return of 16.4 percent. This moderate under-performance follows seven years of out-performance by small cap stocks. Credit market conditions remained largely benign during the year, with low spreads or risk premiums available on corporate bonds and loans. These conditions fostered a frothy market for corporate buyouts which are often funded by adding leverage during the transaction. Readily available cheap financing led to high leverage in many of these transactions. The "buyout bid" also helped drive stock prices to record highs.

As we entered the 2008 fiscal year the market environment began a dramatic change. Concerns regarding the residential housing market in the U.S. that emerged in the prior year had grown steadily and finally erupted into a crisis in July. Worries that sub-prime mortgages had spread via the securities markets to many unexpected holders prompted a global liquidity scare that has caused a credit crunch for many sectors of the credit markets. Corporate credit access has been denied to many lower quality firms until pricing and covenants adjust to the new conditions and a huge backlog of LBO-related financings clear the market. The sudden reversal of market attitude towards risk, although sparked by sub-prime mortgage problems, has spread to the corporate lending markets and promoted concerns of an economic recession. Stock markets around the globe have fallen in reaction to this sudden change in risk-taking. The "buyout bid" has largely

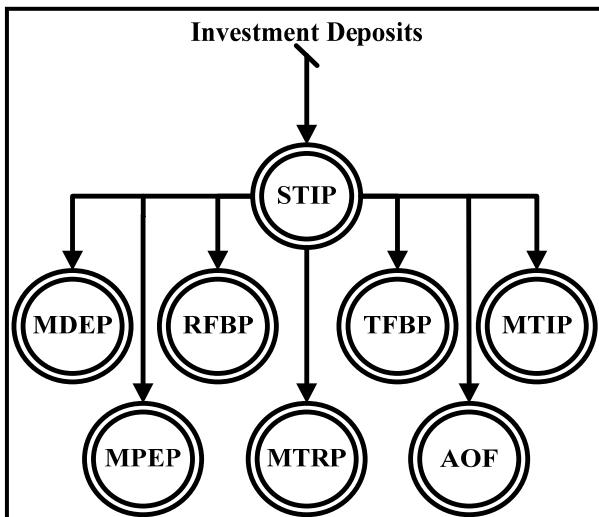
evaporated as the cost and terms of financing have tightened. Yet the emerging markets have behaved atypically and held up better than developed country stocks since the mid-July peak in prices.

Significant portfolio changes have been made over the past year. Some of the most important involved changes to our international equity pool which increased the degree of active management and broadened our exposure to the emerging markets. Also, the domestic equity pool was revamped with a broader diversification by manager and investment styles. Significant progress has been made in the addition of real estate, a new asset class introduced a year ago, and additional investments have increased our allocation to private equity. During the new fiscal year we expect to consider new asset classes for the portfolio as we seek further benefits of diversifying the sources of return. The Board will consider implementing changes only after a thorough understanding of the risks and benefits of taking such actions with an appropriate long term timeframe in mind.

## **TOTAL FUND**

The Total Fund is comprised of all state and local government funds invested by the Board. Fund types invested include pensions, trusts, insurance, debt service, state agency and higher education operating accounts, and local government funds. Unless otherwise provided by law, the Board must invest all state funds. Local governments at their discretion may invest funds with the Board. (All local government funds are invested in the Short Term Investment Pool - STIP).

At June 30, 2007 the fair value of the Total Fund was \$13.21 billion compared to \$11.45 billion a year earlier. Fair values reflect the value of securities on June 30 as priced by the custodial bank, or other sources. During the year the Board invested 479 individual accounts, consisting of 286 state agency accounts and 193 local government accounts.



At year-end the Board managed 89.0 percent of the Total Fund in seven investment pools, which operate similar to mutual funds. All cash is initially deposited in STIP, which operates as a money market fund. STIP has a fixed \$1.00 share value and participants may invest and withdraw funds with 24 hours notice.

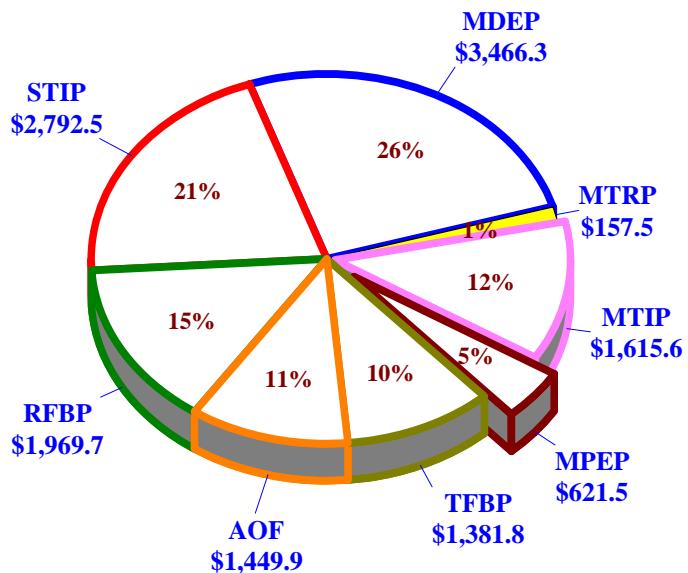
Depending upon the investment parameters of individual accounts, some or most of the account balances may be transferred from STIP to other investment pools, which include equity, fixed-income, and alternative investments. If accounts are authorized to invest in longer-term investments but their investment parameters do not permit investment in the pools, they are invested in individual portfolios included in the All Other Funds (AOF).

Most state agency accounts authorized by law to retain interest earnings and all local government accounts are limited to STIP investments only. State agency accounts that invest in other investment pools or individual investment portfolios may maintain a minimum STIP balance for liquidity. Since the state's trust funds cannot be invested in equities, they are invested in the Trust Funds Bond Pool (TFBP) or individual fixed-income portfolios. Because there are no constitutional or legal restraints on the investment of state pension funds, they are invested in the Retirement Funds Bond Pool (RFBP), the Real Estate Pool (MTRP), and the three equity pools – the Montana Domestic Equity Pool (MDEP), the Montana International Equity Pool (MTIP), and the Montana Private Equity Pool (MPEP).

# Investment Pools

At June 30, 2007

(In Millions)



The Montana Domestic Equity Pool (MDEP) comprised 26.0 percent of the Total Portfolio on June 30, 2007. Pool securities include actively-managed small, mid and large cap domestic stock and passively-managed mid and large cap domestic stock. As of June 30, 2007, twenty five percent of the pool was managed by Board staff. The remainder was externally-managed. The nine pension funds comprise 99.9 percent of the pool's Net Asset Value. Dividends are distributed monthly and capital gains/losses are retained in the pool.

**The Retirement Funds Bond Pool (RFBP)**, comprising 15.0 percent of the Total Portfolio on June 30, is limited to pension funds only and all nine funds participate. Pool securities are a mix of longer-term investment grade corporate bonds and U.S. government bonds. All bonds are U.S. dollar denominated and the pool is managed by Board staff. Income is distributed monthly and capital gains/losses are distributed periodically.

**The Short Term Investment Pool (STIP)** comprised 21.0 percent of the Total Portfolio on June 30. The pool operates as a money market fund with a constant share value of \$1.00. There were 479 participants in the pool in 2007, including 193 local governments. Pool securities consist of investment grade short-term securities. The pool is managed by Board staff and income is distributed monthly.

**The Trust Funds Bond Pool (TFBP)** accounted for 10.0 percent of the Total Portfolio on June 30. The 26 participants in this pool are a mix of trust funds and university funds that may be invested long term. The pool securities are similar to RFBP securities and the pool is managed by Board staff. Income is distributed monthly and capital gains/losses are distributed periodically.

**The Montana International Equity Pool (MTIP)**, comprising 12.0 percent of the Total Portfolio on June 30, is limited to pension funds only and all nine funds participate. Pool securities consist of both actively-managed and passively-managed Europe and Pacific Basin equity securities. The pool is managed by contracted external managers. Dividends are distributed monthly and capital gains/losses are retained in the pool.

**The Montana Private Equity Pool (MPEP)**, comprising 5.0 percent of the Total Portfolio on June 30, is also limited to pension funds only and all nine funds participate. The Board contracts with several private equity managers to invest in venture capital, leveraged buy-out, and other types of private equity investments. Income is distributed periodically and capital gains/losses are retained in the pool.

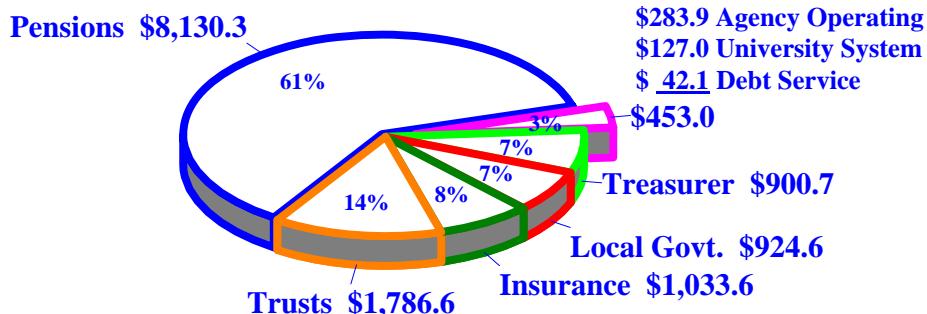
**The Montana Real Estate Pool (MTRP)** comprised 1.0 percent of the Total Portfolio on June 30. The Board contracts with real estate managers to invest in core real estate, value-added real estate, and opportunistic real estate. In the “risk/return” spectrum core real estate is the lowest, while opportunistic real estate is the highest. The pool is limited to pension funds only and all nine funds participate.

**The All Other Fund (AOF)** includes all other investments not held in the seven investment pools. Securities include bonds, mortgages/loans, a passive index stock fund and direct real estate.

## Total Funds By Source

\$13.23 Billion Fair Value At June 30, 2007

(In Millions)



The pie charts show the Total Fund by source and asset type at June 30, 2007. The nine pension funds comprised 61.0 percent of the Total Fund at fair value, while state trusts accounted for 14.0 percent.

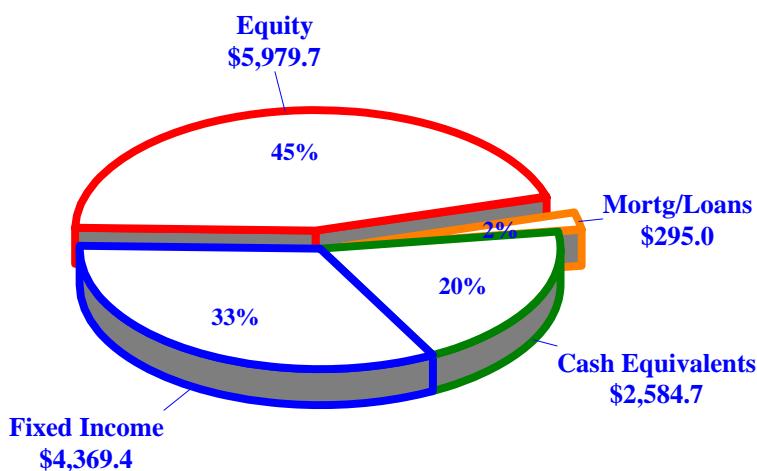
The insurance portfolio is composed primarily of the State Fund (New Workers Compensation).

The Treasurer's Fund is essentially the state checking account that includes all state agency funds not authorized to retain their interest earnings. Interest earnings are deposited in the state general fund.

## Total Funds By Asset

\$13.23 Billion Fair Value At June 30, 2007

(In Millions)



Local government investments in STIP comprised 7.0 percent of the Total Fund.

Except for \$101.7 million of equity investments held by the State Fund and a handful of small trusts and endowments, the equity portfolio is held by the nine pension funds.

Mortgages and loans consist of residential

mortgages held in pension fund portfolios and loans from the Coal Tax Trust to Montana businesses.

The Total Fund portfolio by major fund type and asset type are shown in the tables on the next page. The Total Fund invested balances and income history are shown on Page A – 16 in Appendix A.

<b>Total Fund By Source And Asset Allocation At Fair Value On June 30, 2007</b>						
<b>Fund Type</b>	<b>Cash Equivalents \$</b>	<b>Domestic Stock \$</b>	<b>Fixed Income \$</b>	<b>Mortgage/Loans</b>	<b>Other Equity (1)</b>	<b>Total</b>
Pensions	216,714,579	3,463,964,552	1,969,724,342	68,260,568	2,411,648,052	8,130,312,093
Trusts	136,168,457	1,065,136	1,422,623,747	226,767,173		1,786,624,513
Insurance	125,080,839		806,807,666		101,684,799	1,033,573,304
Treasurer's	752,137,494		148,539,275			900,676,769
Local Gov.	924,558,963					924,558,963
Agency Cash	282,394,805		1,571,745			283,966,550
Universities	105,539,945	1,318,305	20,150,082			127,008,332
Debt Service	42,063,955	—	—	—		42,063,955
<b>Total</b>	<b>2,584,659,038</b>	<b>3,466,347,993</b>	<b>4,369,416,857</b>	<b>295,027,741</b>	<b>2,513,332,851</b>	<b>13,228,784,479</b>

(1) Includes International Stock, Equity Index Fund, Private Equity, and Real Estate

<b>Total Fund Book/Fair Values of Securities Held At June 30, 2007</b>					
<b>Investment Type</b>	<b>Book \$ Value</b>	<b>Fair \$ Value</b>	<b>Fair \$ +/- Book</b>	<b>% of Book</b>	<b>% of Fair</b>
Corporate Bonds	2,944,764,823	2,946,944,752	2,179,929	24.5	22.3
Domestic Stocks/Indexes	2,743,901,727	3,467,579,758	723,678,032	22.8	26.2
US Government-Backed Bonds	2,155,970,951	2,135,969,928	(20,001,023)	17.9	16.2
Commercial Paper	1,854,755,464	1,854,755,464	0	15.4	14.0
International Stocks	1,278,743,938	1,612,071,367	333,327,429	10.6	12.2
Private Equity	515,061,200	621,897,548	106,836,349	4.3	4.7
Mortgages\Loans	295,604,703	295,027,741	(576,962)	2.5	2.2
Equity Real Estate	124,197,328	126,886,160	2,688,831	1.0	1.0
BGI Equity Index	68,406,676	100,545,339	32,138,662	0.6	0.8
Money Market	25,000,000	25,000,000	0	0.2	0.2
Repurchase Agreements	18,255,027	18,255,027	0	0.2	0.1
State/Local Government Bonds	8,417,149	8,467,649	50,500	0.1	0.1
Foreign Government Bonds	0	0	0	0.0	0.0
<b>Total</b>	<b>12,033,078,986</b>	<b>13,213,400,733</b>	<b>1,180,321,746</b>	<b>100.0</b>	<b>100.0</b>

<b>Total Fund Annual Change At June 30 By Asset Type</b>						
<b>Investment Type</b>	<b>2007 \$ Book Value</b>	<b>% of Total</b>	<b>2006 \$ Book Value</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% of Change</b>
Corporate Bonds	2,944,764,823	24.5	2,508,261,919	23.5	436,502,904	17.4
Domestic Stocks/Indexes	2,743,901,727	22.8	2,700,870,570	25.4	43,031,157	1.6
US Government-Backed Bonds	2,155,970,951	17.9	2,312,313,385	21.7	(156,342,434)	(6.8)
Commercial Paper	1,854,755,464	15.4	1,421,275,801	13.3	433,479,663	30.5
International Stocks	1,278,743,938	10.6	913,072,853	8.6	365,671,085	40.0
Private Equity	515,061,200	4.3	353,158,397	3.3	161,902,803	45.8
Mortgages\Loans	295,604,703	2.5	289,679,158	2.7	5,925,545	2.0
Equity Real Estate	124,197,328	1.0	46,512,350	0.4	77,684,978	167.0
BGI Equity Index	68,406,676	0.6	68,406,676	0.6	0	0.0
Money Market	25,000,000	0.2	0	0.0	25,000,000	N/A
Repurchase Agreements	18,255,027	0.2	19,359,483	0.2	(1,104,456)	(5.7)
State/Local Government Bonds	8,417,149	0.1	3,791,472	0.0	4,625,677	122.0
Foreign Government Bonds	0	0.0	14,899,615	0.1	(14,899,615)	(100.0)
<b>Total Investments</b>	<b>12,033,078,986</b>	<b>100.0</b>	<b>10,651,601,681</b>	<b>100.0</b>	<b>1,381,477,306</b>	<b>13.0</b>

The tables on the following pages show:

- The fair value of individual funds in descending order,
- Income generated by major funds, and
- The total rates of returns of major funds.

**Total Fund By Fund At Fair Value On June 30, 2007**

Fund	Fair Value \$	Fund	Fair Value \$
Public Employees' Retirement	4,092,006,497	Old Fund Insurance	41,708,596
Teachers' Retirement	3,182,357,548	Other Trusts STIP	34,645,601
Local Government STIP	924,558,963	Treasure State Water	32,074,802
Treasurer's Fund	900,676,769	FWP License Account	31,792,607
State Fund Insurance	878,332,295	Montana Pole	28,803,681
Permanent Coal Tax Trust	533,756,947	Big Sky Economic Devlp Fund	28,034,528
Trust & Legacy Fund	429,614,627	Vol. Firefighters' Retirement	27,491,637
St Agency Operations STIP	252,173,944	Parks Coal Trust	17,712,088
Police Officers' Retirement	202,111,670	UCRFB Reserve Fund	16,882,065
Sheriffs' Retirement	196,216,438	Higher Education STIP	15,783,765
Firefighters' Retirement	192,509,793	Hail Insurance	12,263,076
UCFRB Restoration Fund	159,704,353	FWP Mitigation	11,565,877
Treasure State Endowment	143,699,950	Cultural Coal Tax Trust	8,585,229
Highway Patrol Retirement	102,618,067	Zortman/Landusky	8,558,140
Resource Indemnity Trust	101,137,993	Wildlife Habitat Trust	7,542,040
Streamside Tailings	82,700,548	Abandoned Mines	5,858,227
Tobacco Trust	76,710,447	Weed Control Trust	4,908,221
Game Wardens' Retirement	73,194,406	FWP Real Property	4,854,453
Montana State University	64,214,254	MT Tech UM Agency	3,873,912
Judges' Retirement	61,806,036	Zort/Land LT H20 Trust	2,526,760
Insurance STIP	58,065,237	Subsequent Injury	1,113,593
Highway 93 Bond	45,021,865	Other Trusts MDEP	1,065,136
UM Other Funds	42,975,450	Other Trusts TFBP	660,937
Group Benefits Insurance	42,090,508	Higher Education MDEP	160,950
Debt Service STIP	42,063,955		
		Total	13,228,784,479

**Total Fund Income**

Fund Type	2007 \$ Income	% of Total	2006 \$ Income	% of Total	\$ Change	% of Change
Public Employees' Retirement	171,887,613	29.4	108,147,805	27.0	63,739,808	58.9
Teachers' Retirement	130,229,621	22.3	71,050,251	17.8	59,179,371	83.3
Permanent Coal Tax Trust (1)	44,489,170	7.6	41,757,043	10.4	2,732,127	6.5
Local Governments STIP	39,419,772	6.7	24,055,083	6.0	15,364,690	63.9
State Fund Insurance	37,286,194	6.4	32,214,254	8.1	5,071,940	15.7
Treasurer's Fund	33,951,447	5.8	18,631,288	4.7	15,320,159	82.2
Other Retirement Systems	31,330,179	5.4	19,560,335	4.9	11,769,844	60.2
State Agency/Higher Ed. STIP	30,332,639	5.2	20,265,540	5.1	10,067,098	49.7
Trust & Legacy Fund	26,474,491	4.5	24,836,368	6.2	1,638,123	6.6
Other Managed Portfolios	20,759,501	3.5	21,011,972	5.3	(252,471)	(1.2)
UCFRB Restoration Fund	10,411,504	1.8	9,665,894	2.4	745,610	7.7
Resource Indemnity Trust	6,220,240	1.1	5,915,562	1.5	304,678	5.2
Old Fund Insurance	2,258,541	0.4	2,884,406	0.7	(625,865)	(21.7)
Total	585,050,911	100.0	399,995,799	100.0	185,055,112	46.3

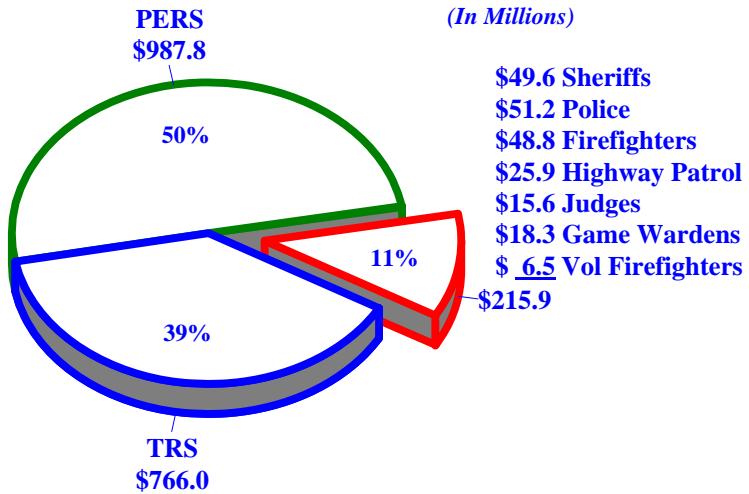
(1) Includes Treasure State Endowment, Treasure State Regional Water and Big Sky Economic Development

**Major Funds 2007 Total Rates Of Return**

Fund Name	% Return
Public Employees' Retirement	17.96
Teachers' Retirement	17.94
Coal Tax Permanent Fund	6.22
State Fund Insurance	7.56
Trust & Legacy Fund	6.68
Treasurer's Fund	5.53
Resource Indemnity Trust	6.69

## RFBP Participants

**Net Asset Value Of Participant Units \$1.97 Billion  
at June 30, 2007**

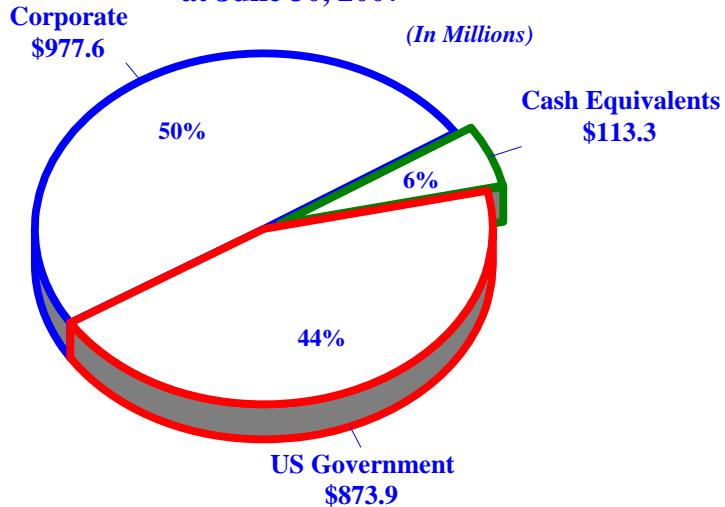


## RETIREMENT FUNDS BOND POOL (RFBP)

On April 1, 1995, all fixed-income investments held by the nine pension funds were transferred to the newly-created Retirement Funds Bond Pool (RFBP). Each pension fund received shares in the pool equal in value to the fair value of its fixed-income portfolio on the date of the transfer.

## RFBP By Investment

**Fair Value Of Investments \$1.96 Billion  
at June 30, 2007**



The upper graph depicts the net asset value of the pool at June 30. The lower graph represents the fair value of the securities held by the pool. Any difference in the net asset value and the securities held is due to receivables/payables and/or cash included in the net asset value of the pool.

The RFBP distributed \$114.4 million in income to participants in 2007, compared to \$105.1 million in 2006. Income distributed includes, interest accruals, discount/premium, and realized gains/losses.

The consolidated investment pool financial statement begins on Page B-1. A list

of the individual securities in the RFBP portfolio is shown on Page B-23 in Appendix B.

The tables on the next page show:

- The changes in book value of portfolio securities,
- The difference between book and fair value of the securities portfolio, and
- The securities portfolio's total rate of return.

### RFBP Annual Change At June 30

<u>Investment Type</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>2006 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Corporate Bonds (Rated)	965,267,421	49.0	932,792,638	50.3	32,474,783	3.5
Corporate Bonds (Unrated)	8,043,241	0.4	14,035,771	0.8	(5,992,530)	(42.7)
Foreign Government Bonds	0	0.0	4,966,538	0.3	(4,966,538)	(100.0)
U.S. Govt Direct-Backed Bonds	73,544,894	3.7	54,701,226	3.0	18,843,668	34.4
U.S. Govt Indirect-Backed	<u>808,893,937</u>	<u>41.1</u>	<u>736,638,007</u>	<u>39.8</u>	<u>72,255,929</u>	<u>9.8</u>
Total Fixed Income	<u>1,855,749,493</u>	<u>94.2</u>	<u>1,743,134,181</u>	<u>94.1</u>	<u>112,615,312</u>	<u>6.5</u>
Short Term Investment Pool	113,252,415	5.8	109,116,501	5.9	4,135,914	3.8
State Street Repurchase Agr.	0	0.0	447,861	0.0	(447,861)	(100.0)
Total Cash Equivalents	<u>113,252,415</u>	<u>5.8</u>	<u>109,564,362</u>	<u>5.9</u>	<u>3,688,053</u>	<u>3.4</u>
Total	<u>1,969,001,908</u>	<u>100.0</u>	<u>1,852,698,544</u>	<u>100.0</u>	<u>116,303,365</u>	<u>6.3</u>

### RFBP Book/Fair Values At June 30, 2007

<u>Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
Corporate Bonds (Rated)	965,267,421	969,566,185	4,298,763	49.0	49.3
Corporate Bonds (Unrated)	8,043,241	8,030,395	(12,846)	0.4	0.4
U.S. Govt Direct-Backed Bonds	73,544,894	75,036,052	1,491,158	3.7	3.8
U.S. Govt Indirect-Backed	<u>808,893,937</u>	<u>798,830,104</u>	<u>(10,063,832)</u>	<u>41.1</u>	<u>40.7</u>
Total Fixed Income	<u>1,855,749,493</u>	<u>1,851,462,736</u>	<u>(4,286,758)</u>	<u>94.2</u>	<u>94.2</u>
Short Term Investment Pool	<u>113,252,415</u>	<u>113,252,415</u>	<u>0</u>	<u>5.8</u>	<u>5.8</u>
Total Cash Equivalents	<u>113,252,415</u>	<u>113,252,415</u>	<u>0</u>	<u>5.8</u>	<u>5.8</u>
Total	<u>1,969,001,908</u>	<u>1,964,715,151</u>	<u>(4,286,758)</u>	<u>100.0</u>	<u>100.0</u>

### RFBP Total Rates of Returns Versus Benchmark

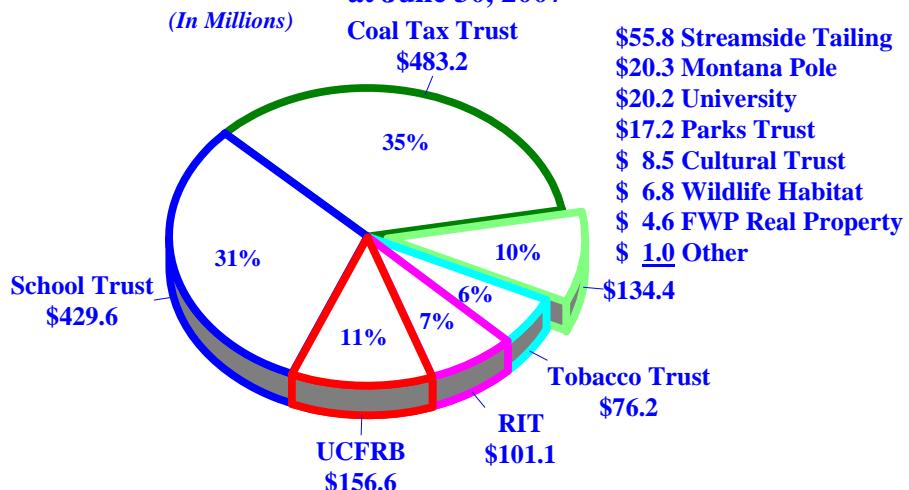
<u>Year</u>	<u>% Return</u>	<u>Benchmark</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
2007	6.91	Lehman Brothers Aggregate	6.12	0.79
3 Year Annualized Average	5.07	Lehman Brothers Aggregate	3.98	1.09
5 Year Annualized Average	6.32	Lehman Brothers Aggregate	4.48	1.84
10 Year Annualized Average	7.05	Lehman Brothers Aggregate	6.02	1.03

## INVESTMENT OBJECTIVE/CONSTRAINTS

- Diversified portfolio, producing a total rate of return exceeding the Lehman Brothers Aggregate Bond Index over a five-year rolling period.
- Above average risk tolerance, especially long-term interest rate risk.
- Low liquidity requirements, except for investment purposes.
- Securities purchased are investment-grade as per Standard & Poor's or Moody's rating services with maturities not exceeding 40 years.
- No additional purchases permitted if credit risk exceeds two percent.
- Mortgage-backed securities purchased must be backed by the US Government or its agencies.
- All securities must pay in US Dollars.

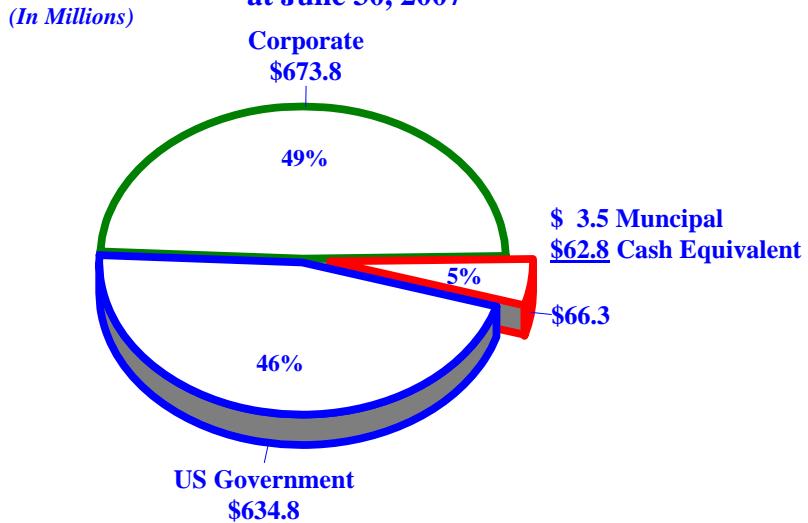
## TFBP Participants

**Net Asset Value Of Participant Units \$1.38 Billion  
at June 30, 2007**



## TFBP By Investment

**Fair Value Of Investments \$1.37 Billion  
at June 30, 2007**



of the individual securities in the TFBP portfolio is shown on Page B-27 in Appendix B.

The tables on the next page show:

- The changes in book value of portfolio securities,
- The difference between book and fair value of the securities portfolio, and
- The securities portfolio's total rate of return.

## TRUST FUNDS BOND POOL (TFBP)

On October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to the newly-created Trust Funds Bond Pool (TFBP). Each trust fund received shares in the pool equal in value to the fair value of their fixed-income portfolio on the date of the transfer.

The upper graph depicts the net asset value of the pool at June 30. The lower graph represents the fair value of the securities held by the pool. Any difference in the net asset value and the securities held is due to receivables/payables and/or cash included in the net asset value of the pool.

The TFBP distributed \$82.8 million in income to participants in 2007, compared to \$75.5 million in 2006. Income distributed includes interest accruals, discount/premium, and realized gains/losses.

The consolidated investment pool financial statement begins on Page B-1. A list

### TFBP Annual Change At June 30

<u>Investment Type</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>2006 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Corporate Bonds (Rated)	<u>670,141,710</u>	<u>48.6</u>	<u>642,663,155</u>	<u>48.6</u>	<u>27,478,556</u>	<u>4.3</u>
Corporate Bonds (Unrated)	<u>1,275,115</u>	<u>0.1</u>	<u>3,756,101</u>	<u>0.3</u>	<u>(2,480,987)</u>	<u>(66.1)</u>
Foreign Government Bonds	<u>0</u>	<u>0.0</u>	<u>9,933,077</u>	<u>0.8</u>	<u>(9,933,077)</u>	<u>(100.0)</u>
U.S. Govt Direct-Backed Bonds	<u>46,091,542</u>	<u>3.3</u>	<u>58,199,898</u>	<u>4.4</u>	<u>(12,108,355)</u>	<u>(20.8)</u>
U.S. Govt Indirect-Backed	<u>594,086,430</u>	<u>43.1</u>	<u>518,980,161</u>	<u>39.2</u>	<u>75,106,269</u>	<u>14.5</u>
Municipal Govt Bonds (Rated)	<u>1,130,000</u>	<u>0.1</u>	<u>1,135,000</u>	<u>0.1</u>	<u>(5,000)</u>	<u>(0.4)</u>
Municipal Govt Bonds (Unrated)	<u>2,287,149</u>	<u>0.2</u>	<u>2,656,472</u>	<u>0.2</u>	<u>(369,323)</u>	<u>(13.9)</u>
<b>Total Fixed Income</b>	<b><u>1,315,011,947</u></b>	<b><u>95.4</u></b>	<b><u>1,237,323,864</u></b>	<b><u>93.5</u></b>	<b><u>77,688,083</u></b>	<b><u>6.3</u></b>
Short Term Investment Pool	<u>62,783,945</u>	<u>4.6</u>	<u>85,582,770</u>	<u>6.5</u>	<u>(22,798,825)</u>	<u>(26.6)</u>
State Street Repurchase Agr.	<u>0</u>	<u>0.0</u>	<u>268,717</u>	<u>0.0</u>	<u>(268,717)</u>	<u>(100.0)</u>
<b>Total Cash Equivalents</b>	<b><u>62,783,945</u></b>	<b><u>4.6</u></b>	<b><u>85,851,487</u></b>	<b><u>6.5</u></b>	<b><u>(23,067,542)</u></b>	<b><u>(26.9)</u></b>
<b>Total Investments</b>	<b><u>1,377,795,892</u></b>	<b><u>100.0</u></b>	<b><u>1,323,175,351</u></b>	<b><u>100.0</u></b>	<b><u>54,620,541</u></b>	<b><u>4.1</u></b>

### TFBP Book/Fair Values At June 30, 2007

<u>Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
Corporate Bonds (Rated)	<u>670,141,710</u>	<u>672,495,745</u>	<u>2,354,034</u>	<u>48.6</u>	<u>48.9</u>
Corporate Bonds (Unrated)	<u>1,275,115</u>	<u>1,319,514</u>	<u>44,399</u>	<u>0.1</u>	<u>0.1</u>
U.S. Govt Direct-Backed Bonds	<u>46,091,542</u>	<u>47,634,484</u>	<u>1,542,941</u>	<u>3.3</u>	<u>3.5</u>
U.S. Govt Indirect-Backed	<u>594,086,430</u>	<u>587,139,201</u>	<u>(6,947,229)</u>	<u>43.1</u>	<u>42.7</u>
Municipal Govt Bonds (Rated)	<u>1,130,000</u>	<u>1,180,500</u>	<u>50,500</u>	<u>0.1</u>	<u>0.1</u>
Municipal Govt Bonds (Unrated)	<u>2,287,149</u>	<u>2,287,149</u>	<u>0</u>	<u>0.2</u>	<u>0.2</u>
<b>Total Fixed Income</b>	<b><u>1,315,011,947</u></b>	<b><u>1,312,056,593</u></b>	<b><u>(2,955,354)</u></b>	<b><u>95.4</u></b>	<b><u>95.4</u></b>
Short Term Investment Pool	<u>62,783,945</u>	<u>62,783,945</u>	<u>0</u>	<u>4.6</u>	<u>4.6</u>
<b>Total Cash Equivalents</b>	<b><u>62,783,945</u></b>	<b><u>62,783,945</u></b>	<b><u>0</u></b>	<b><u>4.6</u></b>	<b><u>4.6</u></b>
<b>Total Investments</b>	<b><u>1,377,795,892</u></b>	<b><u>1,374,840,538</u></b>	<b><u>(2,955,354)</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

### TFBP Total Rates of Returns Versus Benchmark

<u>Year</u>	<u>% Return</u>	<u>Benchmark</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
2007	<u>6.76</u>	Lehman Brothers Aggregate	<u>6.12</u>	<u>0.64</u>
3 Year Annualized Average	<u>5.09</u>	Lehman Brothers Aggregate	<u>3.98</u>	<u>1.11</u>
5 Year Annualized Average	<u>6.17</u>	Lehman Brothers Aggregate	<u>4.48</u>	<u>1.69</u>
10 Year Annualized Average	<u>6.95</u>	Lehman Brothers Aggregate	<u>6.02</u>	<u>0.93</u>

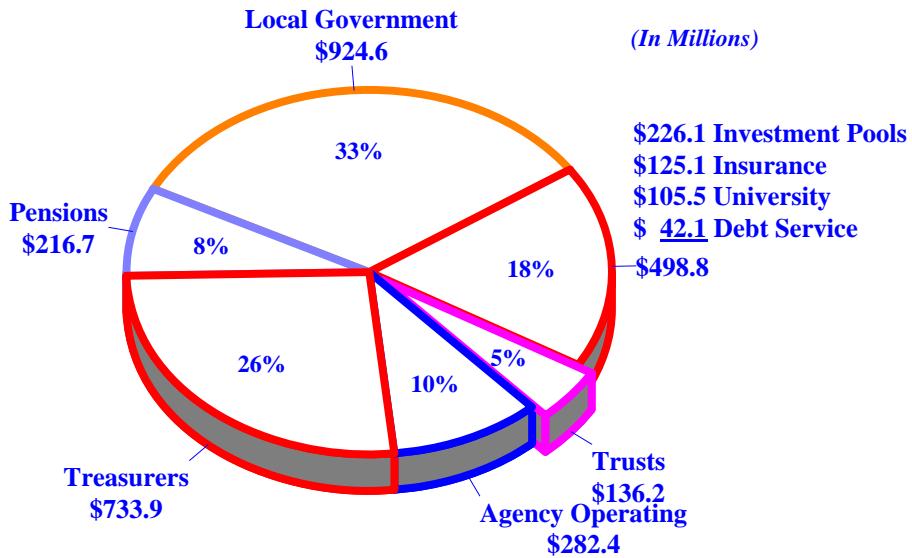
### INVESTMENT OBJECTIVE/CONSTRAINTS

- Diversified portfolio, producing a total rate of return exceeding the Lehman Brothers Aggregate Bond Index over a five-year rolling period.
- Above average risk tolerance, especially long-term interest rate risk.
- Low liquidity requirements, except for investment purposes.
- Securities purchased are investment-grade as per Standard & Poor's or Moody's rating services with maturities not exceeding 40 years.

- No additional purchases permitted if credit risk exceeds two percent.
- Mortgage-backed securities purchased must be backed by the US Government or its agencies.
- All securities must pay in US Dollars.
- Current income is important since it is distributed to participants.

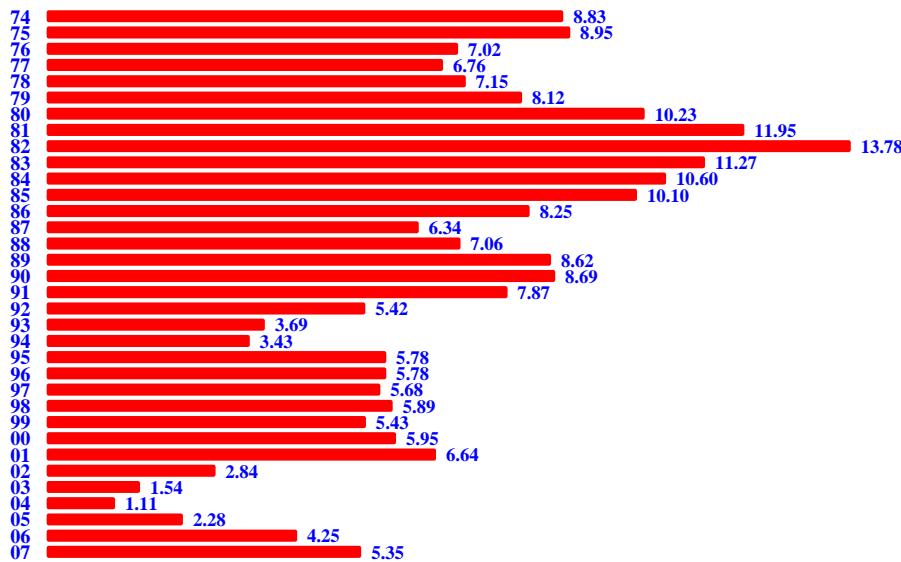
## STIP Participants

**Net Asset Value Of Participant Units \$2.79 Billion  
at June 30, 2007**



## Annual STIP Yields

*(In % Net of Management Fees)*



## SHORT TERM INVESTMENT POOL (STIP)

The Short Term Investment Pool (STIP), created in 1973, provides participants access to a short-term money market fund. Shares are fixed at \$1.00, fractional shares may be purchased, and participants may buy or sell shares with one business day's notice. Income is distributed on the first day of the month.

The upper graph depicts the net asset value of the pool at June 30. The lower graph shows the historical yield to participants based on distributed income after management and custody fees are deducted.

There were 479 accounts invested in STIP during the year, consisting of 286 state accounts and 193 local government accounts. The STIP distributed \$124.5 million to participants in 2007, compared to \$78.5 million in 2006.

The consolidated investment pool financial statement begins on Page

B-1. A list of the individual securities in the STIP portfolio is shown on Page B-50 in Appendix B.

The tables on the next page show:

- The changes in Net Asset Value by major participant type,
- The book and fair value of the securities portfolio by major asset type, and
- The securities portfolio's total rate of return.

### **STIP NAV Annual Change By Participant At June 30**

<b>Fund Type</b>	<b>2007 \$ NAV (1)</b>	<b>% of Total</b>	<b>2006 \$ NAV (1)</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% Change</b>
Local Governments	924,558,963	33.1	654,914,928	29.8	269,644,035	41.2
Treasurer's Fund	733,882,467	26.3	534,991,517	24.3	198,890,950	37.2
Pension Funds	216,714,579	7.8	181,985,481	8.3	34,729,098	19.1
Trust Funds	136,168,457	4.9	129,162,050	5.9	7,006,407	5.4
Agency Operating	282,394,805	10.1	234,673,805	10.7	47,721,000	20.3
University System	105,539,945	3.8	86,013,214	3.9	19,526,731	22.7
Insurance Funds	125,080,839	4.5	100,281,880	4.6	24,798,959	24.7
Investment Pools	226,133,614	8.1	224,858,961	10.2	1,274,654	0.6
Debt Service Funds	42,063,955	1.5	52,621,117	2.4	(10,557,162)	(20.1)
<b>Total</b>	<b>2,792,537,625</b>	<b>100.0</b>	<b>2,199,502,952</b>	<b>100.0</b>	<b>593,034,673</b>	<b>27.0</b>

(1) Net Asset Value

### **STIP Book/Fair Values At June 30, 2007**

<b>Investment Type</b>	<b>Book \$ Value</b>	<b>Fair \$ Value</b>	<b>Fair \$ +/- Book</b>	<b>% of Book</b>	<b>% of Fair</b>
Commercial Paper	1,854,755,464	1,854,755,464	0	66.5	66.5
Corporate Fixed	475,001,174	475,001,174	0	17.0	17.0
Variable-Rate (Floating Rate)	379,982,640	379,982,640	0	13.6	13.6
U.S. Govt Indirect-Backed	49,999,456	49,999,456	0	1.8	1.8
Money Market	25,000,000	25,000,000	0	0.9	0.9
Municipal Variable Rate (Unrated)	5,000,000	5,000,000	0	0.2	0.2
<b>Total</b>	<b>2,789,738,734</b>	<b>2,789,738,734</b>	<b>1</b>	<b>100.0</b>	<b>100.0</b>

### **STIP Total Rates of Returns Versus Benchmark**

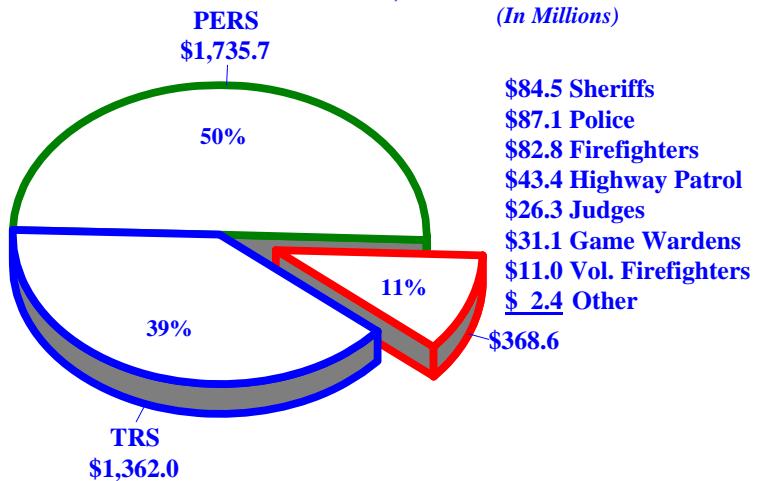
<b>Year</b>	<b>% Return</b>	<b>Benchmark</b>	<b>Benchmark % Return</b>	<b>Return +/- Benchmark</b>
2007	5.59	LIBOR 1 Month	5.37	0.22
3 Year Annualized Average	4.05	LIBOR 1 Month	4.11	(0.06)
5 Year Annualized Average	2.96	LIBOR 1 Month	2.98	(0.02)
10 Year Annualized Average	4.16	LIBOR 1 Month	4.05	0.11

### **INVESTMENT OBJECTIVE/CONSTRAINTS**

- Diversified money market fund, producing a total rate of return exceeding the LIBOR 1 month index.
- Highly liquid portfolio.
- Maximum security maturity of 397 days.
- Participants include state agencies, local governments and school districts.
- Risk tolerance is low.

## MDEP Participants

Net Asset Value Of Participant Units \$3.47 Billion  
at June 30, 2007

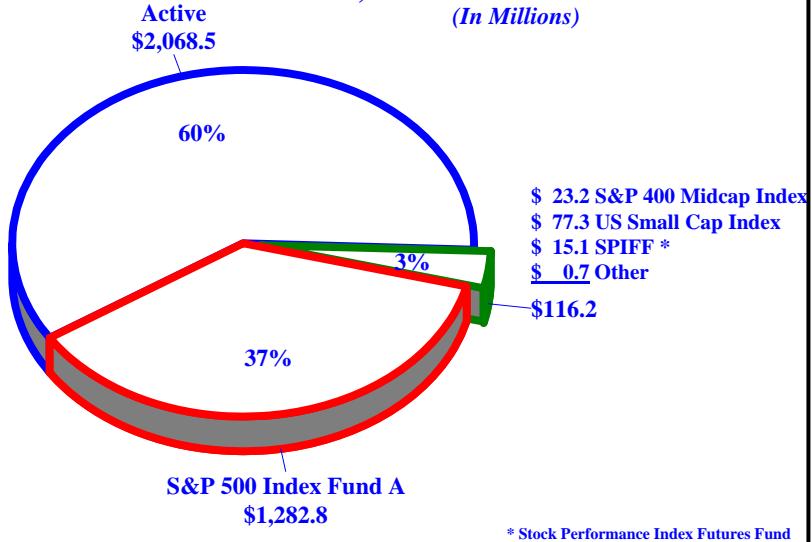


## MONTANA DOMESTIC EQUITY POOL (MDEP)

The Montana Domestic Equity Pool (MDEP) was created May 1, 2003, when all investments held in the Montana Common Stock Pool, the Standard and Poor's 500 Index Fund A and the Dimensional Fund Advisors US Small Cap Index were combined to create the pool.

## MDEP By Investment

Fair Value Of Investments \$3.47 Billion  
at June 30, 2007



The upper graph depicts the net asset value of the pool at June 30. The lower graph represents the fair value of investments held by active and passive management.

The MDEP distributed \$22.9 million of income to participants in 2007, compared to \$25.7 million in 2006. Income distributed includes dividends, security lending and miscellaneous income. All realized capital gains and losses are retained in the pool.

investment pool financial statement begins on Page B-1. A list of the individual securities in the MDEP portfolio is shown on Page B-31 in Appendix B.

The tables on the following pages show:

- Changes in the fair value of the securities portfolio by manager,
- The difference between book and fair value of the securities portfolio, and
- The securities portfolio's total rate of return.

### MDEP Change At June 30 by Manager

Sector	2007 \$ <u>Fair Value</u>	% of <u>Total</u>	2006 \$ <u>Fair Value</u>	% of <u>Total</u>	\$ <u>Change</u>	% <u>Change</u>
S & P 500 Index (Passive)	1,282,790,640	37.0	1,178,260,318	37.4	104,530,322	8.9
Internal Pool	880,441,304	25.4	1,058,743,931	33.6	(178,302,627)	(16.8)
WAMCO Large Cap Enh Index	230,041,410	6.6	125,424,632	4.0	104,616,777	83.4
T Rowe Price Large Cap Enh Index	229,138,389	6.6	124,491,529	3.9	104,646,859	84.1
INTECH Large Cap Enh Index	208,529,329	6.0	124,358,200	3.9	84,171,129	67.7
Goldman Large Cap Enh Index	147,508,924	4.3	124,463,571	3.9	23,045,354	18.5
Martingale Mid Cap Core	120,573,029	3.5	0	0.0	120,573,029	N/A
TimesSquare Mid Cap Growth	81,566,383	2.4	0	0.0	81,566,383	N/A
DFA Small Cap Enhanced Index	77,259,926	2.2	213,902,449	6.8	(136,642,523)	(63.9)
Artisan Mid Cap Value	67,860,668	2.0	0	0.0	67,860,668	N/A
NorthPointe Small Cap Growth	54,108,336	1.6	0	0.0	54,108,336	N/A
Vaughan Nelson Small Cap Value	48,773,458	1.4	0	0.0	48,773,458	N/A
S & P 400 Midcap Index	23,221,246	0.7	191,367,605	6.1	(168,146,359)	(87.9)
State Street SPIFF (1)	15,076,746	0.4	11,691,519	0.4	3,385,227	29.0
Transition Pool	689,972	0.0	0	0.0	689,972	N/A
<b>Total</b>	<b>3,467,579,758</b>	<b>100.0</b>	<b>3,152,703,754</b>	<b>100.0</b>	<b>314,876,004</b>	<b>10.0</b>

(1) Stock Performance Index Futures Fund

### MDEP Book/Fair Values At June 30, 2007 by Manager

Sector	Book \$ <u>Value</u>	Fair \$ <u>Value</u>	Fair \$ <u>+/- Book</u>	% of <u>Book</u>	% of <u>Fair</u>
S & P 500 Index (Passive)	898,399,726	1,282,790,640	384,390,914	32.7	37.0
Internal Pool	674,911,422	880,441,304	205,529,882	24.6	25.4
WAMCO Large Cap Enh Index	206,937,301	230,041,410	23,104,109	7.5	6.6
T Rowe Price Large Cap Enh Index	211,625,925	229,138,389	17,512,463	7.7	6.6
INTECH Large Cap Enh Index	192,722,480	208,529,329	15,806,850	7.0	6.0
Goldman Large Cap Enh Index	125,956,387	147,508,924	21,552,537	4.6	4.3
Martingale Mid Cap Core	118,374,381	120,573,029	2,198,649	4.3	3.5
TimesSquare Mid Cap Growth	78,633,432	81,566,383	2,932,951	2.9	2.4
DFA Small Cap Enhanced Index	41,566,479	77,259,926	35,693,448	1.5	2.2
Artisan Mid Cap Value	65,571,251	67,860,668	2,289,416	2.4	2.0
NorthPointe Small Cap Growth	50,315,621	54,108,336	3,792,715	1.8	1.6
Vaughan Nelson Small Cap Value	45,813,903	48,773,458	2,959,555	1.7	1.4
S & P 400 Midcap Index	17,955,907	23,221,246	5,265,339	0.7	0.7
State Street SPIFF (1)	14,386,125	15,076,746	690,621	0.5	0.4
Transition Pool	<u>731,388</u>	<u>689,972</u>	<u>(41,417)</u>	<u>0.0</u>	<u>0.0</u>
<b>Total</b>	<b>2,743,901,727</b>	<b>3,467,579,758</b>	<b>723,678,032</b>	<b>100.0</b>	<b>100.0</b>

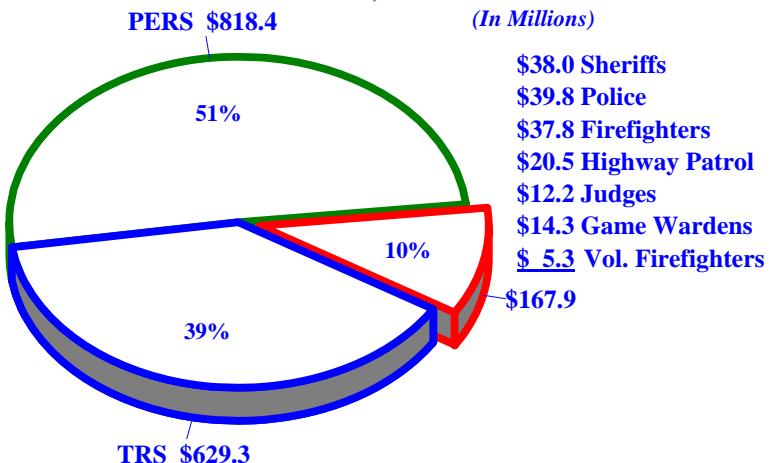
(1) Stock Performance Index Futures Fund

### MDEP Total Rates of Returns Versus Benchmark

Year	% <u>Return</u>	Benchmark	Benchmark % Return	Return +/- Benchmark
2007	19.96	S & P 1500	20.22	(0.26)
3 Year Annualized Average	11.29	S & P 1500	12.08	(0.79)
5 Year Annualized Average	10.57	S & P 1500	11.14	(0.57)
10 Year Annualized Average	6.05	S & P 1500	7.69	(1.64)

## MTIP Participants

Net Asset Value Of Participant Units \$1615.6 Million  
at June 30, 2007



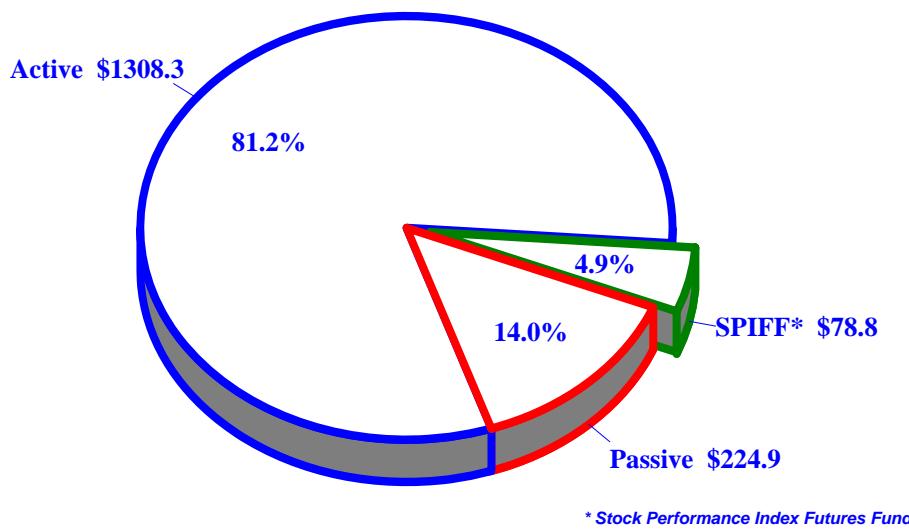
## MONTANA INTERNATIONAL STOCK POOL (MTIP)

The Montana International Equity Pool (MTIP) was created in 1997 when the nine pension funds purchased pool shares to fund investments in international stock. Cash dividends, interest and related income currency gains/losses are distributed monthly.

## MTIP By Investment

Fair Value of Investments \$1612.1 Million  
at June 30, 2007

(In Millions)



The upper graph depicts the net asset value of the pool at June 30. The lower graph represents the fair value of the securities held by active and passive management.

Any difference between the net asset value of the pool and the fair value of investments held is due to receivables/payables and/or cash included in the net asset value of the pool.

The MTIP distributed \$19.1 million of income to participants in 2007, compared to \$11.1 million in 2006.

The consolidated investment pool financial statement begins on Page B-1. The MTIP portfolio is shown on Page B-46 in Appendix B.

The tables on the following pages show:

- The investment managers and the fair value of their securities portfolios,
- The changes in securities fair value by country,
- The book and fair values of securities portfolios by country, and
- The portfolio's total rate of return.

**MIIP Change at June 30 by Manager**

	<u>2007 \$ Fair Value \$</u>	<u>% of Total</u>	<u>2006 \$ Fair Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Batterymarch	207,276,666	12.9	0	0.0	207,276,666	N/A
Julius Baer	192,552,525	11.9	0	0.0	192,552,525	N/A
BGI MSCI Europe (Passive) Equity Index	174,065,771	10.8	768,768,601	61.9	(594,702,830)	(77.4)
Acadian	161,385,799	10.0	0	0.0	161,385,799	N/A
AllianceBernstein	141,829,628	8.8	0	0.0	141,829,628	N/A
Hansburger	127,183,018	7.9	0	0.0	127,183,018	N/A
BGI Global Ex US Alpha Tilt	126,482,238	7.8	0	0.0	126,482,238	N/A
Martin Currie	123,828,328	7.7	0	0.0	123,828,328	N/A
Nomura Actively Managed Pacific Basin	97,504,912	6.0	144,954,585	11.7	(47,449,673)	(32.7)
Principal Global	72,389,671	4.5	0	0.0	72,389,671	N/A
DFA International Index	68,532,364	4.3	93,071,030	7.5	(24,538,666)	(26.4)
AXA Rosenberg International Small Cap	57,911,781	3.6	0	0.0	57,911,781	N/A
SSB EAFE Index	50,883,047	3.2	30,495,834	2.5	20,387,213	66.9
StateStreet Cash	10,245,619	0.6	2,154,170	0.2	8,091,449	375.6
BGI MSCI (Passive) Equity Index Pacific Basin	0	0.0	65,943,278	5.3	(65,943,278)	(100.0)
Schroder Actively-Managed Pacific Basin	0	0.0	135,660,842	10.9	(135,660,842)	(100.0)
Total International Portfolios	<u>1,612,071,367</u>	<u>100.0</u>	<u>1,241,048,339</u>	<u>100.0</u>	<u>371,023,027</u>	<u>29.9</u>

**MTIP Annual Change At June 30**

<u>Country</u>	<u>2007 \$ Fair Value</u>	<u>% of Total</u>	<u>2006 \$ Fair Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Commingled Accounts	287,325,097	17.8	0	0.0	287,325,097	N/A
Japan	186,819,142	11.6	165,848,053	13.4	20,971,089	12.6
MSCI Europe Equity Index	174,065,771	10.8	768,768,601	61.9	(594,702,830)	(77.4)
United Kingdom	141,522,336	8.8	0	0.0	141,522,336	N/A
France	100,730,411	6.2	0	0.0	100,730,411	N/A
Germany	84,083,860	5.2	0	0.0	84,083,860	N/A
DFA International Index	68,532,364	4.3	93,071,030	7.5	(24,538,666)	(26.4)
Switzerland	61,902,461	3.8	0	0.0	61,902,461	N/A
Australia	50,915,926	3.2	34,573,892	2.8	16,342,034	47.3
EAFFE Stock Performance Index	50,883,047	3.2	30,495,834	2.5	20,387,212	66.9
Netherlands	45,873,044	2.8	0	0.0	45,873,044	N/A
US (ADR)*	42,010,883	2.6	0	0.0	42,010,883	N/A
Italy	37,031,582	2.3	0	0.0	37,031,582	N/A
Canada	35,890,007	2.2	0	0.0	35,890,007	N/A
Hong Kong	34,255,197	2.1	22,914,329	1.8	11,340,868	49.5
Korea	29,199,894	1.8	23,296,305	1.9	5,903,589	25.3
Sweden	23,603,481	1.5	0	0.0	23,603,481	N/A
Spain	20,443,255	1.3	0	0.0	20,443,255	N/A
Singapore	14,983,915	0.9	7,921,597	0.6	7,062,318	89.2
Finland	14,315,298	0.9	0	0.0	14,315,298	N/A
Austria	13,930,219	0.9	0	0.0	13,930,219	N/A
Denmark	13,037,001	0.8	0	0.0	13,037,001	N/A
Norway	10,320,168	0.6	0	0.0	10,320,168	N/A
US \$ Cash	10,245,619	0.6	2,154,170	0.2	8,091,449	375.6
Belgium	8,488,887	0.5	0	0.0	8,488,887	N/A
Greece	7,999,225	0.5	0	0.0	7,999,225	N/A
Taiwan	7,360,087	0.5	15,453,944	1.2	(8,093,856)	(52.4)
Mexico	6,854,022	0.4	0	0.0	6,854,022	N/A
Thailand	5,404,292	0.3	4,572,035	0.4	832,258	18.2
Malaysia	4,493,461	0.3	3,208,048	0.3	1,285,413	40.1
Turkey	3,568,453	0.2	0	0.0	3,568,453	N/A
Portugal	2,884,776	0.2	0	0.0	2,884,776	N/A
Hungary	2,003,487	0.1	0	0.0	2,003,487	N/A
Brazil	1,981,024	0.1	0	0.0	1,981,024	N/A
Ireland	1,975,479	0.1	0	0.0	1,975,479	N/A
Israel	1,871,608	0.1	0	0.0	1,871,608	N/A
South Africa	1,850,274	0.1	0	0.0	1,850,274	N/A
Philippines	1,226,819	0.1	1,527,074	0.1	(300,254)	(19.7)
Indonesia	982,562	0.1	888,913	0.1	93,649	10.5
Poland	768,410	0.0	0	0.0	768,410	N/A
New Zealand	438,522	0.0	411,237	0.0	27,285	6.6
MSCI Pacific Basin Equity Index	0	0.0	65,943,278	5.3	(65,943,278)	(100.0)
Total	1,612,071,367	100.0	\$1,241,048,340	100.0	\$371,023,027	29.9

\*Represents ownership in the shares of a foreign company trading on US financial markets.

**MTIP Book/Fair Values At June 30, 2007**

<u>Country</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
Commingled Accounts	228,060,145	287,325,097	59,264,952	17.8	17.8
Japan	165,809,915	186,819,142	21,009,226	13.0	11.6
MSCI Europe Equity Index	93,208,349	174,065,771	80,857,422	7.3	10.8
United Kingdom	125,242,587	141,522,336	16,279,749	9.8	8.8
France	85,086,140	100,730,411	15,644,271	6.7	6.2
Germany	67,373,715	84,083,860	16,710,145	5.3	5.2
DFA International Index	46,890,340	68,532,364	21,642,023	3.7	4.3
Switzerland	54,609,564	61,902,461	7,292,896	4.3	3.8
Australia	38,279,708	50,915,926	12,636,218	3.0	3.2
EAFFE Stock Performance Index	41,753,738	50,883,047	9,129,309	3.3	3.2
Netherlands	39,963,600	45,873,044	5,909,444	3.1	2.8
US (ADR)*	35,061,310	42,010,883	6,949,574	2.7	2.6
Italy	31,499,283	37,031,582	5,532,299	2.5	2.3
Canada	29,320,055	35,890,007	6,569,952	2.3	2.2
Hong Kong	25,240,441	34,255,197	9,014,756	2.0	2.1
Korea	21,988,142	29,199,894	7,211,753	1.7	1.8
Sweden	21,940,872	23,603,481	1,662,609	1.7	1.5
Spain	18,128,964	20,443,255	2,314,291	1.4	1.3
Singapore	11,107,459	14,983,915	3,876,455	0.9	0.9
Finland	11,822,681	14,315,298	2,492,616	0.9	0.9
Austria	10,412,698	13,930,219	3,517,520	0.8	0.9
Denmark	9,316,434	13,037,001	3,720,567	0.7	0.8
Norway	6,565,909	10,320,168	3,754,260	0.5	0.6
US \$ Cash	10,245,619	10,245,619	0	0.8	0.6
Belgium	7,408,223	8,488,887	1,080,664	0.6	0.5
Greece	6,420,397	7,999,225	1,578,828	0.5	0.5
Taiwan	5,567,126	7,360,087	1,792,961	0.4	0.5
Mexico	6,373,053	6,854,022	480,969	0.5	0.4
Thailand	4,546,002	5,404,292	858,290	0.4	0.3
Malaysia	3,921,885	4,493,461	571,576	0.3	0.3
Turkey	2,506,283	3,568,453	1,062,170	0.2	0.2
Portugal	2,213,129	2,884,776	671,647	0.2	0.2
Hungary	1,375,386	2,003,487	628,101	0.1	0.1
Brazil	1,764,304	1,981,024	216,720	0.1	0.1
Ireland	1,987,111	1,975,479	(11,632)	0.2	0.1
Israel	1,817,817	1,871,608	53,791	0.1	0.1
South Africa	1,596,750	1,850,274	253,525	0.1	0.1
Philippines	639,398	1,226,819	587,421	0.1	0.1
Indonesia	741,043	982,562	241,519	0.1	0.1
Poland	567,298	768,410	201,112	0.0	0.0
New Zealand	<u>371,062</u>	<u>438,522</u>	<u>67,460</u>	<u>0.0</u>	<u>0.0</u>
<b>Total</b>	<b><u>1,278,743,938</u></b>	<b><u>1,612,071,367</u></b>	<b><u>333,327,429</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

\*Represents ownership in the shares of a foreign company trading on US financial markets.

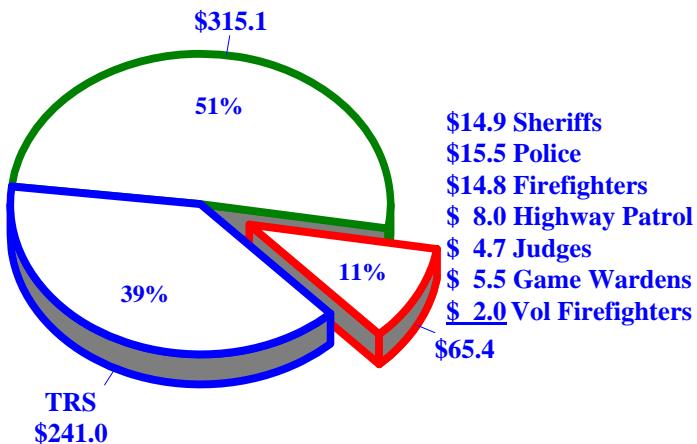
**MTIP Annual Average Total Rates of Returns From Inception**

<u>Year</u>	<u>% Return</u>	<u>Benchmarks</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
2007	31.63	MSCI ex US	29.62	2.01
3 Year Annualized Average	23.70	MSCI ex US	24.52	(0.82)
5 Year Annualized Average	18.30	MSCI ex US	19.45	(1.15)

## MPEP Participants

Net Asset Value Of Participant Units \$621.5 Million  
at June 30, 2007

(In Millions)



## MONTANA PRIVATE EQUITY POOL (MPEP)

The Montana Private Equity Pool was created on May 1, 2002 when all private equity investments held by the nine pension funds were transferred to the pool. Each pension fund received shares in the pool equal to the fair value of their private equity investments and also transferred cash to the pool to provide liquidity for investments.

The upper graph depicts the net asset value of the pool at June 30. The lower graph represents the fair value of the securities held by the pool.

Any difference between the net asset value of the pool and the fair value of investments held is due to receivables/payables and/or cash included in the net asset value of the pool.

The MPEP distributed \$2.2 million of income to participants in 2007, compared to \$1.9 million in 2006.

The consolidated investment pool financial statement

begins on Page B-1. The MPEP portfolio is shown on Page B-47 in Appendix B.

The tables on the following pages show:

- Changes in the fair value of the securities portfolio by manager,
- The difference between book and fair value of the securities portfolio, and
- The portfolio's total rate of return.

**MPEP Change At June 30 by Manager**

<u>Manager/Investment Type</u>	<u>2007 \$ Fair Value</u>	<u>% of Total</u>	<u>2006 \$ Fair Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Adams Street Partners	211,024,523	33.9	164,041,485	40.9	46,983,038	28.6
Kolberg Kravis & Roberts (KKR)	54,955,561	8.8	52,197,825	13.0	2,757,736	5.3
SPIFF (1)	47,382,427	7.6	31,043,496	7.7	16,338,930	52.6
Madison Dearborn Capital	47,150,676	7.6	23,791,515	5.9	23,359,161	98.2
Welsh Carson Anderson&Stowe	46,364,044	7.5	39,188,404	9.8	7,175,640	18.3
Lexington Capital	41,201,178	6.6	35,366,353	8.8	5,834,825	16.5
Carlyle Partners	31,830,124	5.1	14,395,986	3.6	17,434,138	121.1
Arclight Capital	26,405,384	4.2	15,895,311	4.0	10,510,073	66.1
Oak Hill Capital	18,390,377	3.0	7,772,288	1.9	10,618,089	136.6
Lehman Brothers	17,376,904	2.8	0	0.0	17,376,904	N/A
Odyssey Partners	15,395,858	2.5	8,205,659	2.0	7,190,199	87.6
JLL Partners	12,722,347	2.0	2,921,123	0.7	9,801,224	335.5
Oaktree Capital	8,582,281	1.4	5,907,856	1.5	2,674,425	45.3
Portfolio Advisors	6,949,545	1.1	0	0.0	6,949,545	N/A
CCMP	6,891,683	1.1	0	0.0	6,891,683	N/A
MHR Institutional	6,780,434	1.1	0	0.0	6,780,434	N/A
J.C. Flowers	5,687,979	0.9	0	0.0	5,687,979	N/A
Quintana Energy	5,435,543	0.9	0	0.0	5,435,543	N/A
Hellman & Friedman	4,344,840	0.7	0	0.0	4,344,840	N/A
First Reserve	2,394,463	0.4	0	0.0	2,394,463	N/A
Industry Ventures	2,239,350	0.4	0	0.0	2,239,350	N/A
Highway 12 Ventures	1,014,597	0.2	0	0.0	1,014,597	N/A
Buerk Dale Victor	763,451	0.1	0	0.0	763,451	N/A
Matlin Patterson	600,000	0.1	0	0.0	600,000	N/A
Affinity	13,980	0.0	0	0.0	13,980	N/A
<b>Total Investments</b>	<b>621,897,548</b>	<b>100.0</b>	<b>400,727,301</b>	<b>100.0</b>	<b>178,054,384</b>	<b>55.2</b>

(1) Stock Performance Index Futures Fund

**MPEP Book/Fair Values At June 30, 2007 by Manager**

<u>Manager/Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
Adams Street Partners	184,870,173	211,024,523	26,154,351	35.9	33.9
Kolberg Kravis & Roberts (KKR)	44,577,328	54,955,561	10,378,233	8.7	8.8
SPIFF (1)	48,034,891	47,382,427	(652,464)	9.3	7.6
Madison Dearborn Capital	30,458,093	47,150,676	16,692,583	5.9	7.6
Welsh Carson Anderson&Stowe	35,765,800	46,364,044	10,598,244	6.9	7.5
Lexington Capital	19,736,205	41,201,178	21,464,973	3.8	6.6
Carlyle Partners	28,117,665	31,830,124	3,712,459	5.5	5.1
Arclight Capital	26,017,091	26,405,384	388,293	5.1	4.2
Oak Hill Capital	15,410,469	18,390,377	2,979,908	3.0	3.0
Lehman Brothers	16,627,264	17,376,904	749,640	3.2	2.8
Odyssey Partners	10,901,891	15,395,858	4,493,967	2.1	2.5
JLL Partners	11,420,491	12,722,347	1,301,856	2.2	2.0
Oaktree Capital	1	8,582,281	8,582,280	0.0	1.4
Portfolio Advisors	6,949,545	6,949,545	0	1.3	1.1
CCMP	7,022,176	6,891,683	(130,493)	1.4	1.1
MHR Institutional	6,519,441	6,780,434	260,993	1.3	1.1
J.C. Flowers	5,611,334	5,687,979	76,645	1.1	0.9
Quintana Energy	5,435,543	5,435,543	0	1.1	0.9
Hellman & Friedman	4,344,840	4,344,840	0	0.8	0.7
First Reserve	2,338,715	2,394,463	55,748	0.5	0.4
Industry Ventures	2,177,574	2,239,350	61,776	0.4	0.4
Highway 12 Ventures	1,058,305	1,014,597	(43,708)	0.2	0.2
Buerk Dale Victor	1,000,000	763,451	(236,549)	0.2	0.1
Matlin Patterson	600,000	600,000	0	0.1	0.1
Terra Firma	52,090	0	(52,090)	0.0	0.0
Affinity	14,276	13,980	(296)	0.0	0.0
<b>Total Investments</b>	<b>515,061,200</b>	<b>621,897,548</b>	<b>106,836,349</b>	<b>100.0</b>	<b>100.0</b>

(1) Stock Performance Index Futures Fund

**MPEP Total Rates of Returns Versus Benchmark**

<u>Year</u>	<u>% Return</u>	<u>Benchmark</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
2007	25.10	S&P 1500 + 4.0%	24.22	0.88
3 Year Annualized Average	20.40	S&P 1500 + 4.0%	16.08	4.32
5 Year Annualized Average	18.73	S&P 1500 + 4.0%	15.14	3.59

Private equity investments are participations in non-publicly traded equity ownership of a fund or operating company either directly or more commonly through a partnership. As of June 30, 2007, 25 private equity managers invested the pool's assets.

The types of investments made by private equity managers generally fall into the following categories:

**Private Equity** – Private equity investments in funds or operating companies in an asset class other than cash, stocks, or fixed income securities and real estate.

**Venture Capital** – Equity or equity-like investments in companies that have undeveloped or developing products or revenue.

**Leveraged Buy-Outs** – Equity investments in public or private companies that purchase a significant portion or majority control of the company.

**Mezzanine** – Investments in the subordinated debt and/or equity of privately owned companies. The debt holder participates in equity appreciation through conversion features, such as rights, warrants, and/or options.

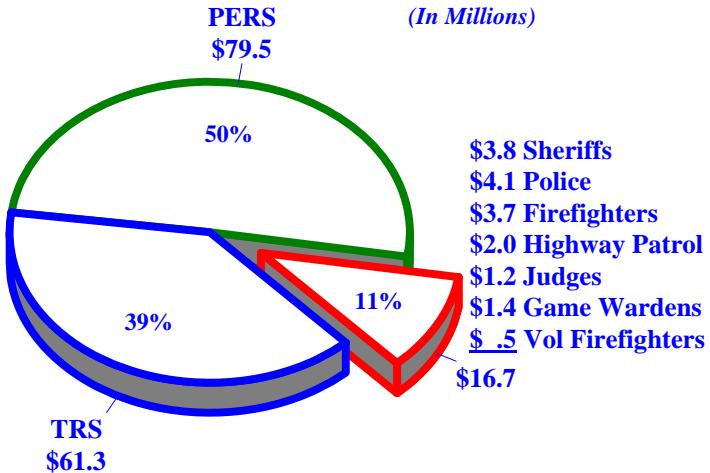
**Special Situations** – Includes: 1) investments in the exploration for oil and/or gas reserves or in the development of proven reserves; 2) investments in land to harvest timber; and 3) investments that have a special component usually related to geographical, economic, or social issues sometimes referred to as Economically Targeted Investments.

**Secondary Investments** – Investments in a previously-owned limited partnership or investment in previously owned limited partnership via a secondary fund.

**Distressed Debt** – Public and private debt of companies that appear unlikely to meet their financial obligations but are attractive to investors, not for repayment of interest and principal which are unlikely to be paid, but for the claim placed on the firm's value by unpaid creditors.

## MTRP Participants

**Net Asset Value Of Participant Units \$157.5 Million  
at June 30, 2007**



### MONTANA ESTATE (MTRP)

### REAL POOL

The Montana Real Estate Pool (MTRP) was created April 26, 2006 to permit the nine pension funds to participate in a diversified real estate portfolio.

The upper graph depicts the net asset value of the pool at June 30. The lower graph represents the fair value of the securities held by the pool.

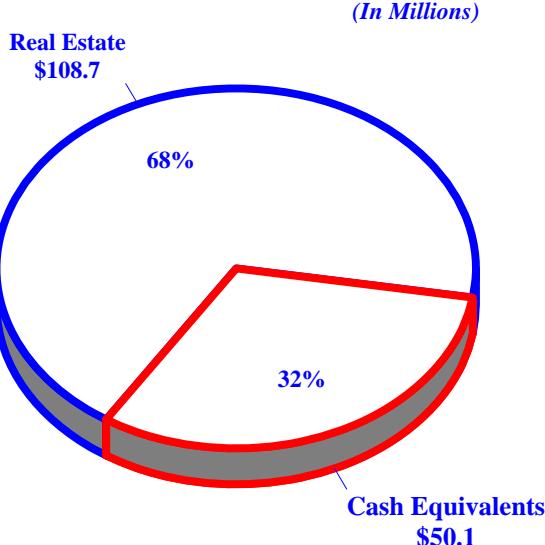
The Board has approved an allocation of up to 8.0 percent of pension funds to real estate. This pool will grow rather rapidly as newly hired managers begin to draw down capital.

The MTRP distributed \$2.1 million of income to participants in 2007, compared to \$124.6 thousand in 2006.

The consolidated investment pool financial statement begins on Page B-1. The MTRP portfolio is shown on Page B-49 in Appendix B.

## MTRP By Investment

**Fair Value Of Investments \$158.8 Million  
at June 30, 2007**



The tables on the next page show:

- The changes in book value of portfolio securities,
- The difference between book and fair value of the securities portfolio, and
- The portfolio's total rate of return.

**MTRP Annual Change At June 30**

<u>Investment Type</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>2006 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
JP Morgan Chase Bank Strategig	50,421,317	32.3	0	0.0	50,421,317	N/A
Clarion Lion Properties Fund	30,000,000	19.2	0	0.0	30,000,000	N/A
ABR Chesapeake Fund III	8,000,000	5.1	0	0.0	8,000,000	N/A
Hudson Realty Capital Fund IV	6,750,000	4.3	0	0.0	6,750,000	N/A
TA Associates Realty Fund VIII	5,000,000	3.2	0	0.0	5,000,000	N/A
Strategic Partners Value	4,846,159	3.1	0	0.0	4,846,159	N/A
Apollo Real Estate Finance Corp.	<u>1,210,000</u>	<u>0.8</u>	<u>0</u>	<u>0.0</u>	<u>1,210,000</u>	<u>N/A</u>
<b>Total Real Estate</b>	<b><u>106,227,476</u></b>	<b><u>68.0</u></b>	<b><u>0</u></b>	<b><u>0.0</u></b>	<b><u>106,227,476</u></b>	<b><u>N/A</u></b>
<b>Short Term Investment Pool</b>	<b><u>50,097,254</u></b>	<b><u>32.0</u></b>	<b><u>30,159,689</u></b>	<b><u>100.0</u></b>	<b><u>19,937,565</u></b>	<b><u>66.1</u></b>
<b>Total Investments</b>	<b><u>156,324,730</u></b>	<b><u>100.0</u></b>	<b><u>30,159,689</u></b>	<b><u>100.0</u></b>	<b><u>126,165,041</u></b>	<b><u>418.3</u></b>

**MTRP Book/Fair Values At June 30, 2007**

<u>Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
JP Morgan Chase Bank Strategig	50,421,317	52,322,354	1,901,037	32.3	33.0
Clarion Lion Properties Fund	30,000,000	30,918,179	918,179	19.2	19.5
ABR Chesapeake Fund III	8,000,000	8,000,000	0	5.1	5.0
Hudson Realty Capital Fund IV	6,750,000	6,715,305	(34,695)	4.3	4.2
TA Associates Realty Fund VIII	5,000,000	5,000,000	0	3.2	3.1
Strategic Partners Value	4,846,159	4,634,891	(211,268)	3.1	2.9
Apollo Real Estate Finance Corp.	<u>1,210,000</u>	<u>1,102,749</u>	<u>(107,251)</u>	<u>0.8</u>	<u>0.7</u>
<b>Total Real Estate</b>	<b><u>106,227,476</u></b>	<b><u>108,693,478</u></b>	<b><u>2,466,002</u></b>	<b><u>68</u></b>	<b><u>68</u></b>
<b>Short Term Investment Pool</b>	<b><u>50,097,254</u></b>	<b><u>50,097,254</u></b>	<b><u>0</u></b>	<b><u>32.0</u></b>	<b><u>31.5</u></b>
<b>Total Investments</b>	<b><u>156,324,730</u></b>	<b><u>158,790,732</u></b>	<b><u>2,466,002</u></b>	<b><u>100</u></b>	<b><u>100</u></b>

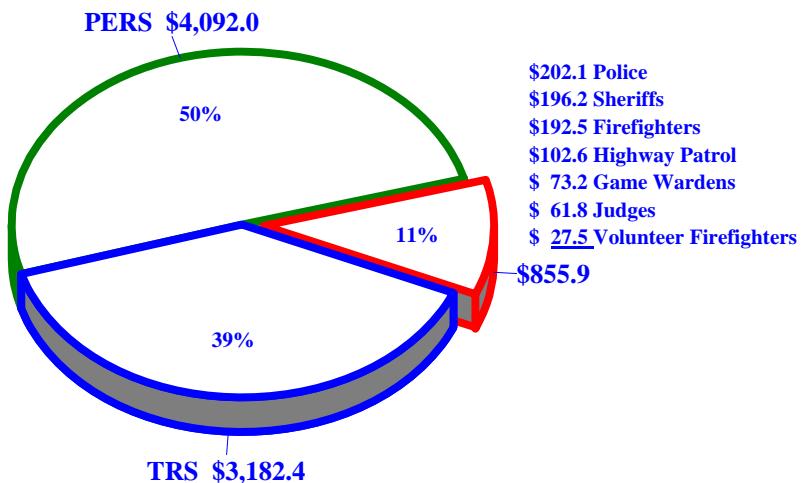
**MTRP Total Rates of Returns Versus Benchmark**

<u>Year</u>	<u>% Return</u>	<u>Benchmark</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
2007	6.31	NCREIF Property	17.24	(10.93)

## Pension Funds By Source

**\$8.13 Billion Fair Value At June 30, 2007**

(In Millions)



## PENSION FUNDS

By law, all public pension funds in the state, including local governments and school districts, are managed by the state. The Board of Investments manages all pension fund investments. Pension fund operations are administered by two boards appointed by the Governor.

The Teachers' Retirement Board manages the Teachers' Retirement System (TRS), while the

Public Employees' Retirement Board manages the other eight systems.

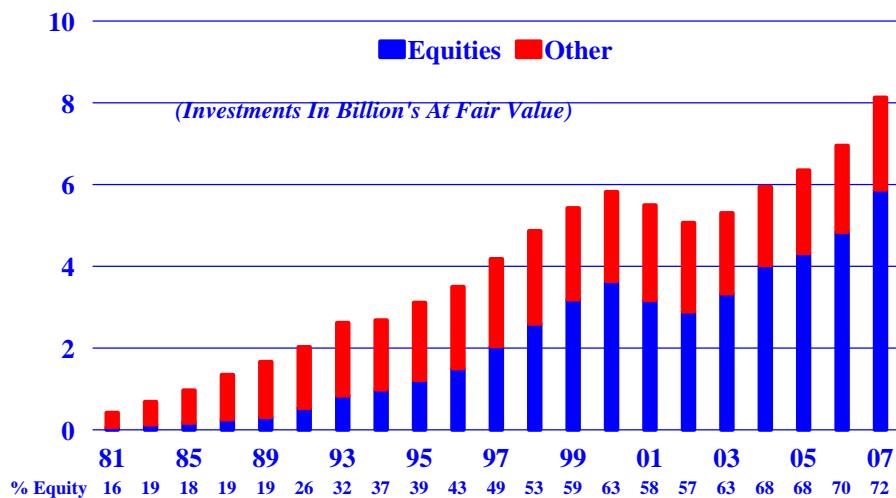
The upper graph depicts the state's nine pension fund investment portfolios at fair value as of June 30. The lower graph depicts total pension fund investments by major investment type.

As of June 30 approximately 99 percent of pension fund investments at fair value were managed in various investment pools created by the Board. These

pools, which operate similar to mutual funds, simplify investing and accounting, and provide broader diversification for the smaller funds. Income is distributed monthly to pool participants.

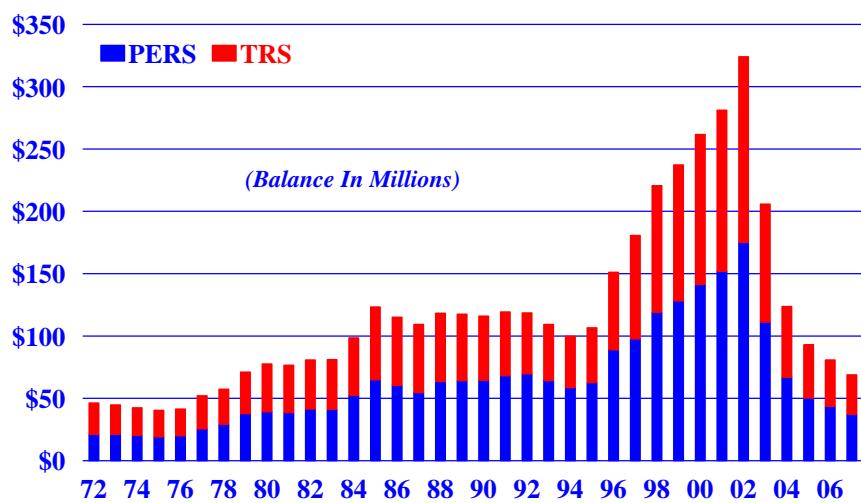
The pension funds earned \$333.4 million on their investments in 2007, compared to \$198.8 million in 2006. The total rate of return of each fund is shown on the following pages.

## Pension Equity Investments



## Pension Mortgages History

Outstanding Principal At Year-End



increased pension investments in Montana residential mortgages. Mortgage investments peaked at \$324.0 million in 2002. From 2003 through 2005, mortgage rates on the secondary market declined to less than 6 percent and the Board declined to purchase mortgages for the pension funds at these rates. This policy, combined with significant mortgage re-financings caused a significant drop in the pension mortgage portfolio to \$68.8 million at year-end 2007.

The Board has increased pension investments in equities in recent years to increase the total rate of return. The current range for total equity investments is 60-70% of total pension assets. The allocation was maintained in the upper end of the range throughout the fiscal year.

Declining equity prices reduced fair value of total pension fund investments from 2001 through 2003. Pension fund assets of \$5.95 billion in 2004 finally surpassed the 2000 value at the peak of the stock market bubble.

During 2001 through 2003 the Board actively sold fixed-income investments and invested the sale proceeds in the equity markets.

This rebalancing and a resurgent of domestic and international stock markets brought pension fund equity allocation to 68 percent of total pension fund investments in 2004.

From 1994 to 2002, the Board significantly

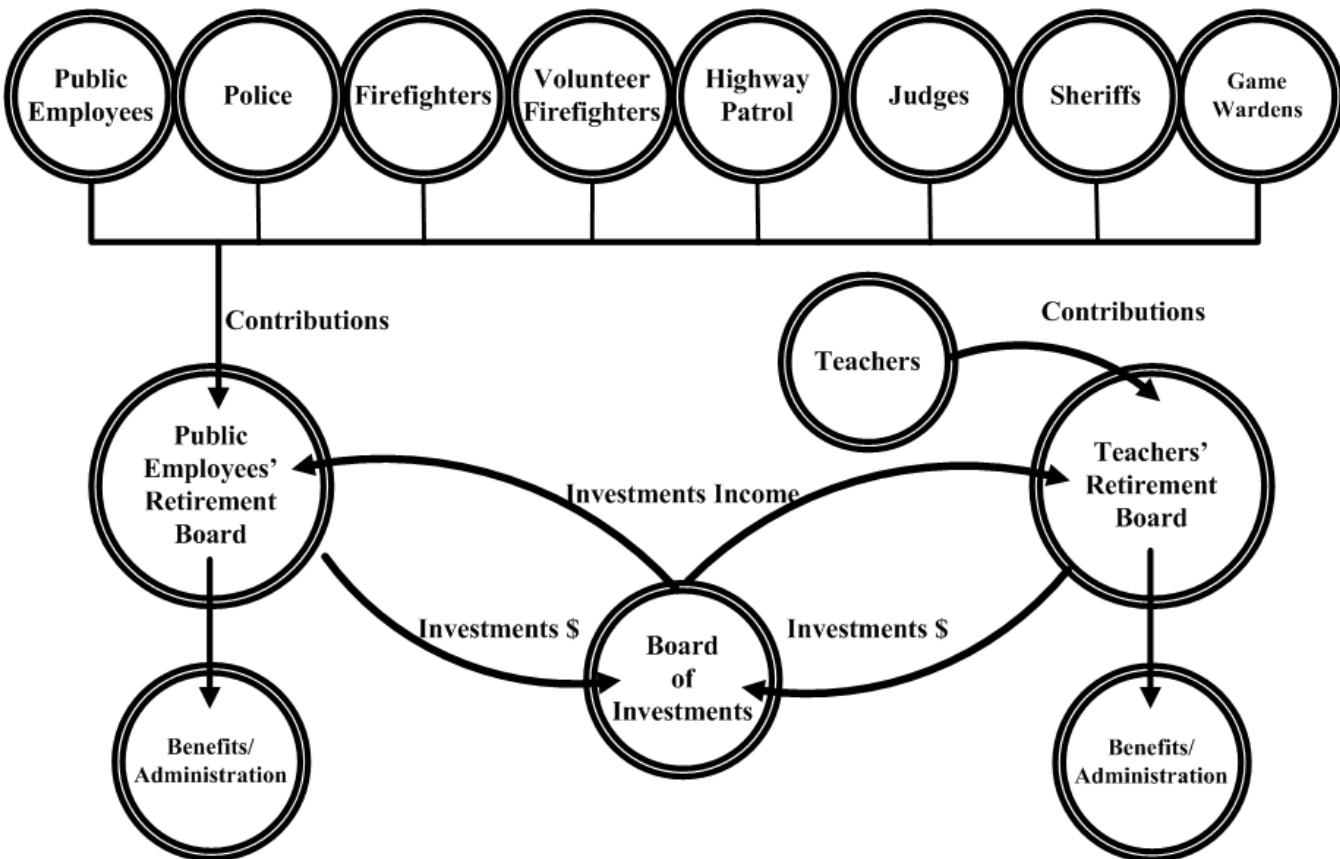
**Pension Funds Annual Book Value Change At June 30**

<u>Fund</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>2006 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% of Change</u>
Public Employees	2,555,999,805	50.2	2,432,047,337	50.4	123,952,467	5.1
Teachers	1,976,828,420	38.8	1,869,992,739	38.7	106,835,681	5.7
Police	133,138,238	2.6	124,093,432	2.6	9,044,806	7.3
Sheriffs	127,876,186	2.5	120,113,705	2.5	7,762,481	6.5
Firefighters	127,771,817	2.5	119,141,429	2.5	8,630,388	7.2
Highway Patrol	64,981,471	1.3	62,274,983	1.3	2,706,488	4.3
Game Wardens	49,832,066	1.0	44,610,029	0.9	5,222,037	11.7
Judges	39,231,024	0.8	37,099,081	0.8	2,131,943	5.7
Volunteer Firefighters	19,669,979	0.4	18,555,017	0.4	1,114,963	6.0
<b>Total</b>	<b>5,095,329,005</b>	<b>100.0</b>	<b>4,827,927,751</b>	<b>100.0</b>	<b>267,401,254</b>	<b>5.5</b>
<b>Investment Type</b>						
Retirement Funds Bond Pool	1,994,113,348	39.1	1,884,443,348	39.0	109,670,000	5.8
Equities	2,643,798,155	51.9	2,634,236,067	54.6	9,562,088	0.4
Real Estate Pool	155,035,000	3.0	30,035,000	0.6	125,000,000	416.2
Direct Real Estate	16,830,392	0.3	16,477,350	0.3	353,042	2.1
Short Term Investment Pool	216,714,579	4.3	181,985,481	3.8	34,729,098	19.1
Montana Mortgages	68,837,530	1.4	80,750,505	1.7	(11,912,974)	(14.8)
<b>Total</b>	<b>5,095,329,005</b>	<b>100.0</b>	<b>4,827,927,751</b>	<b>100.0</b>	<b>267,401,254</b>	<b>5.5</b>

**Pension Funds Annual Fair Value Change At June 30**

<u>Fund</u>	<u>2007 \$ Fair Value</u>	<u>% of Total</u>	<u>2006 \$ Fair Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% of Change</u>
Public Employees	4,092,006,497	50.3	3,510,451,899	50.5	581,554,598	16.6
Teachers	3,182,357,548	39.1	2,721,219,510	39.1	461,138,038	16.9
Police	202,111,670	2.5	169,416,551	2.4	32,695,118	19.3
Sheriffs	196,216,438	2.4	165,117,982	2.4	31,098,457	18.8
Firefighters	192,509,793	2.4	161,465,456	2.3	31,044,338	19.2
Highway Patrol	102,618,067	1.3	88,607,707	1.3	14,010,360	15.8
Game Wardens	73,194,406	0.9	59,396,228	0.9	13,798,178	23.2
Judges	61,806,036	0.8	52,585,905	0.8	9,220,131	17.5
Volunteer Firefighters	27,491,637	0.3	23,433,584	0.3	4,058,053	17.3
<b>Total</b>	<b>8,130,312,093</b>	<b>100.0</b>	<b>6,951,694,822</b>	<b>100.0</b>	<b>1,178,617,270</b>	<b>17.0</b>
<b>Investment Type</b>						
Retirement Funds Bond Pool	1,969,724,342	24.2	1,848,687,001	26.6	121,037,341	6.5
Equities	5,701,058,381	70.1	4,794,485,354	69.0	906,573,028	18.9
Real Estate Pool	157,501,001	1.9	30,035,000	0.4	127,466,001	424.4
Direct Real Estate	17,053,221	0.2	16,693,086	0.2	360,136	2.2
Short Term Investment Pool	216,714,579	2.7	181,985,481	2.6	34,729,098	19.1
Montana Mortgages	68,260,568	0.8	79,808,901	1.1	(11,548,333)	(14.5)
<b>Total</b>	<b>8,130,312,093</b>	<b>100.0</b>	<b>6,951,694,822</b>	<b>100.0</b>	<b>1,178,617,270</b>	<b>17.0</b>

The chart on the next page depicts the relationship of the two state Pension Boards to the Board of Investments in managing the state's nine pension fund assets and liabilities.



As depicted in the above chart the employee/employer contributions are collected by the two Pension Boards that administer the benefits. The actual employee/employer contribution levels and the formulas for benefits are set by law. The Pension Boards hire actuarial firms to value the nine systems and provide the assumptions used by the actuary in the valuations. The actuary determines the “soundness” of the systems based on the assumptions. Article VIII, Section 15 of the Montana State Constitution requires that the systems be “actuarially sound” as follows:

(1) *Public retirement systems shall be funded on an actuarially sound basis. Public retirement system assets, including income and actuarially required contributions, shall not be encumbered, diverted, reduced, or terminated and shall be held in trust to provide benefits to participants and their beneficiaries and to defray administrative expenses.*

(2) *The governing boards of public retirement systems shall administer the system, including actuarial determinations, as fiduciaries of system participants and their beneficiaries.*

- State law defines a system as actuarially sound when its unfunded liability, if any, can be amortized in 30 years or less with the current level of contributions. As of June 30, 2007, all of the state's nine pension funds were actuarially sound as determined by the system's actuaries.

The tables on the following pages show information on the nine systems.

## Membership

<b>PERS</b>	<b>6/30/2007</b>	<b>6/30/2006</b>	<b>Sheriffs</b>	<b>6/30/2007</b>	<b>6/30/2006</b>
Retirees & Beneficiaries	16,137	15,654	Retirees & Beneficiaries	384	361
Vested Terminated	2,576	2,530	Vested Terminated	38	39
Non-vested Terminated	6,401	7,178	Non-vested Terminated	120	102
Active Members	<u>27,977</u>	<u>27,962</u>	Active Members	<u>1,076</u>	<u>1,006</u>
<b>Total</b>	<b><u>53,091</u></b>	<b><u>53,324</u></b>	<b>Total</b>	<b><u>1,618</u></b>	<b><u>1,508</u></b>
<b>Firefighters</b>	<b>6/30/2007</b>	<b>6/30/2006</b>	<b>Highway Patrol</b>	<b>6/30/2007</b>	<b>6/30/2006</b>
Retirees & Beneficiaries	519	509	Retirees & Beneficiaries	284	282
Vested Terminated	9	10	Vested Terminated	14	13
Non-vested Terminated	52	64	Non-vested Terminated	8	11
Active Members	<u>480</u>	<u>467</u>	Active Members	<u>204</u>	<u>197</u>
<b>Total</b>	<b><u>1,060</u></b>	<b><u>1,050</u></b>	<b>Total</b>	<b><u>510</u></b>	<b><u>503</u></b>
<b>Game Wardens</b>	<b>6/30/2007</b>	<b>6/30/2006</b>	<b>Volunteer Firefighters</b>	<b>6/30/2007</b>	<b>6/30/2006</b>
Retirees & Beneficiaries	111	106	Retirees & Beneficiaries	1,038	1,001
Vested Terminated	35	30	Vested Terminated	800	687
Non-vested Terminated	91	81	Active Members	<u>2,207</u>	<u>2,733</u>
Active Members	<u>821</u>	<u>793</u>	<b>Total</b>	<b><u>4,045</u></b>	<b><u>4,421</u></b>
<b>Total</b>	<b><u>1,058</u></b>	<b><u>1,010</u></b>			
<b>Judges</b>	<b>6/30/2007</b>	<b>6/30/2006</b>	<b>Teachers</b>	<b>6/30/2007</b>	<b>6/30/2006</b>
Retirees & Beneficiaries	51	51	Retirees & Beneficiaries	10,971	10,637
Vested Terminated	5	3	Vested Terminated	1,660	1,681
Non-vested Terminated	-	-	Non-vested Terminated	8,856	8,470
Active Members	<u>51</u>	<u>50</u>	Active Members	<u>18,188</u>	<u>18,108</u>
<b>Total</b>	<b><u>107</u></b>	<b><u>104</u></b>	<b>Total</b>	<b><u>39,675</u></b>	<b><u>38,896</u></b>
<b>Police</b>	<b>6/30/2007</b>	<b>6/30/2006</b>	<b>Total</b>	<b>6/30/2007</b>	<b>6/30/2006</b>
Retirees & Beneficiaries	592	580	Retirees & Beneficiaries	30,087	29,181
Vested Terminated	37	29	Vested Terminated	5,174	5,022
Non-vested Terminated	38	40	Non-vested Terminated	15,566	15,946
Active Members	<u>640</u>	<u>617</u>	Active Members	<u>51,644</u>	<u>51,933</u>
<b>Total</b>	<b><u>1,307</u></b>	<b><u>1,266</u></b>	<b>System Total</b>	<b><u>102,471</u></b>	<b><u>102,082</u></b>

## Assets and Liabilities (In Thousands \$)

<b>PERS</b>	<b><u>6/30/2007</u></b>	<b><u>6/30/2006</u></b>	<b>Sheriffs</b>	<b><u>6/30/2007</u></b>	<b><u>6/30/2006</u></b>
Actuarial Liability	4,201,251	3,919,313	Actuarial Liability	189,036	171,841
Actuarial Assets (1)	<u>3,825,234</u>	<u>3,459,084</u>	Actuarial Assets	<u>183,894</u>	<u>163,003</u>
<b>Unfunded Actuarial Liability</b>	<b><u>376,017</u></b>	<b><u>460,229</u></b>	<b>Unfunded Actuarial Liability</b>	<b><u>5,142</u></b>	<b><u>8,838</u></b>
<b>Funded Ratio</b>	<b><u>91.05%</u></b>	<b><u>88.26%</u></b>	<b>Funded Ratio</b>	<b><u>97.28%</u></b>	<b><u>94.86%</u></b>
<b>Firefighters</b>	<b><u>6/30/2007</u></b>	<b><u>6/30/2006</u></b>	<b>Highway Patrol</b>	<b><u>6/30/2007</u></b>	<b><u>6/30/2006</u></b>
Actuarial Liability	269,399	255,513	Actuarial Liability	128,306	112,002
Actuarial Assets	<u>188,545</u>	<u>167,343</u>	Actuarial Assets	<u>95,758</u>	<u>87,189</u>
<b>Unfunded Actuarial Liability</b>	<b><u>80,854</u></b>	<b><u>88,170</u></b>	<b>Unfunded Actuarial Liability</b>	<b><u>32,548</u></b>	<b><u>24,813</u></b>
<b>Funded Ratio</b>	<b><u>69.99%</u></b>	<b><u>65.49%</u></b>	<b>Funded Ratio</b>	<b><u>74.63%</u></b>	<b><u>77.85%</u></b>
<b>Game Wardens</b>	<b><u>6/30/2007</u></b>	<b><u>6/30/2006</u></b>	<b>Volunteer Firefighters</b>	<b><u>6/30/2007</u></b>	<b><u>6/30/2006</u></b>
Actuarial Liability	72,992	64,183	Actuarial Liability	31,599	31,883
Actuarial Assets	<u>68,755</u>	<u>58,813</u>	Actuarial Assets	<u>25,862</u>	<u>23,238</u>
<b>Unfunded Actuarial Liability</b>	<b><u>4,237</u></b>	<b><u>5,370</u></b>	<b>Unfunded Actuarial Liability</b>	<b><u>5,737</u></b>	<b><u>8,645</u></b>
<b>Funded Ratio</b>	<b><u>94.20%</u></b>	<b><u>91.63%</u></b>	<b>Funded Ratio</b>	<b><u>81.84%</u></b>	<b><u>72.89%</u></b>
<b>Judges</b>	<b><u>6/30/2007</u></b>	<b><u>6/30/2006</u></b>	<b>Teachers</b>	<b><u>6/30/2007</u></b>	<b><u>6/30/2006</u></b>
Actuarial Liability	36,863	37,159	Actuarial Liability	3,928,500	3,733,600
Actuarial Assets	<u>57,778</u>	<u>51,808</u>	Actuarial Assets (1)	<u>3,006,233</u>	<u>2,745,800</u>
<b>Unfunded Actuarial Liability</b>	<b><u>(20,915)</u></b>	<b><u>(14,649)</u></b>	<b>Unfunded Actuarial Liability</b>	<b><u>922,267</u></b>	<b><u>987,800</u></b>
<b>Funded Ratio</b>	<b><u>156.74%</u></b>	<b><u>139.42%</u></b>	Less University Contributions	<u>153,400</u>	<u>124,700</u>
<b>Police</b>	<b><u>6/30/2007</u></b>	<b><u>6/30/2006</u></b>	<b>Unfunded Actuarial Liability</b>	<b><u>768,867</u></b>	<b><u>863,100</u></b>
Actuarial Liability	310,423	291,099			
Actuarial Assets	<u>198,310</u>	<u>175,919</u>			
<b>Unfunded Actuarial Liability</b>	<b><u>112,113</u></b>	<b><u>115,180</u></b>			
<b>Funded Ratio</b>	<b><u>63.88%</u></b>	<b><u>60.43%</u></b>	<b>Total</b>	<b><u>6/30/2007</u></b>	<b><u>6/30/2006</u></b>
			Actuarial Liability	9,168,369	8,616,593
			Actuarial Assets (1)	<u>7,650,369</u>	<u>6,932,197</u>
			<b>Unfunded Actuarial Liability</b>	<b><u>1,518,000</u></b>	<b><u>1,684,396</u></b>
			Less University Contributions	<u>124,700</u>	<u>124,700</u>
			<b>Total Unfunded Liability</b>	<b><u>1,393,300</u></b>	<b><u>1,559,696</u></b>

(1) The December 2005 Special Session appropriated \$25.0 million to PERS and \$100.0 million to TRS.  
An additional \$50 million was made to TRS in the first half of 2007.

**Cash Flow**  
*(In Thousands \$)*

<b>PERS</b>	<b>2007</b>	<b>2006</b>
Employees	69,150	66,145
Employers (1)	67,196	88,573
State	446	443
<b>Contributions</b>	<b>136,792</b>	<b>155,161</b>
<b>Benefits/Administration</b>	<b>(183,845)</b>	<b>(171,341)</b>
<b>Cash Flow</b>	<b>(47,053)</b>	<b>(16,180)</b>

<b>Sheriffs</b>	<b>2007</b>	<b>2006</b>
Employees	4,921	3,683
Employers	4,386	3,562
<b>Contributions</b>	<b>9,307</b>	<b>7,245</b>
<b>Benefits/Administration</b>	<b>(7,862)</b>	<b>(6,612)</b>
<b>Cash Flow</b>	<b>1,445</b>	<b>633</b>

<b>Firefighters</b>	<b>2007</b>	<b>2006</b>
Employees	2,619	2,471
Employers	3,520	3,329
State	7,957	7,533
<b>Contributions</b>	<b>14,096</b>	<b>13,333</b>
<b>Benefits/Administration</b>	<b>(12,148)</b>	<b>(11,143)</b>
<b>Cash Flow</b>	<b>1,948</b>	<b>2,190</b>

<b>Highway Patrol</b>	<b>2007</b>	<b>2006</b>
Employees	1,005	851
Employers	3,634	2,905
State	285	277
<b>Contributions</b>	<b>4,924</b>	<b>4,033</b>
<b>Benefits/Administration</b>	<b>(6,766)</b>	<b>(6,485)</b>
<b>Cash Flow</b>	<b>(1,842)</b>	<b>(2,452)</b>

<b>Game Wardens</b>	<b>2007</b>	<b>2006</b>
Employees	3,199	3,007
Employers	2,638	2,411
<b>Contributions</b>	<b>5,837</b>	<b>5,418</b>
<b>Benefits/Administration</b>	<b>(2,834)</b>	<b>(2,373)</b>
<b>Cash Flow</b>	<b>3,003</b>	<b>3,045</b>

<b>Volunteer Firefighters</b>	<b>2007</b>	<b>2006</b>
State	1,661	1,610
<b>Contributions</b>	<b>1,661</b>	<b>1,610</b>
<b>Benefits/Administration</b>	<b>(1,670)</b>	<b>(1,623)</b>
<b>Cash Flow</b>	<b>(9)</b>	<b>(13)</b>

<b>Judges</b>	<b>2007</b>	<b>2006</b>
Employees	339	333
Employers	1,249	1,229
<b>Contributions</b>	<b>1,588</b>	<b>1,562</b>
<b>Benefits/Administration</b>	<b>(1,781)</b>	<b>(1,755)</b>
<b>Cash Flow</b>	<b>(193)</b>	<b>(193)</b>

<b>Teachers</b>	<b>2007</b>	<b>2006</b>
Employees	56,501	53,293
Employers	61,936	58,269
State (1)	50,720	100,693
<b>Total Contributions</b>	<b>169,157</b>	<b>212,255</b>
<b>Benefits/Administration</b>	<b>(190,357)</b>	<b>(178,412)</b>
<b>Cash Flow</b>	<b>(21,200)</b>	<b>33,843</b>

<b>Police</b>	<b>2007</b>	<b>2006</b>
Employees	2,709	2,545
Employers	4,283	4,038
State	8,677	8,182
<b>Contributions</b>	<b>15,669</b>	<b>14,765</b>
<b>Benefits/Administration</b>	<b>(13,489)</b>	<b>(12,699)</b>
<b>Cash Flow</b>	<b>2,180</b>	<b>2,066</b>

<b>Total</b>	<b>2007</b>	<b>2006</b>
Members	140,443	132,328
Employers	148,842	164,316
State/Other	69,746	118,738
<b>Contributions</b>	<b>359,031</b>	<b>415,382</b>
<b>Benefits/Administration</b>	<b>(420,752)</b>	<b>(392,443)</b>
<b>Cash Flow</b>	<b>(61,721)</b>	<b>22,939</b>

(1) The December 2005 Special Session appropriated \$25.0 million to PERS and \$100.0 million to TRS.  
An additional \$50 million was made to TRS in the first half of 2007.

## PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

### **PERS Annual Book Value Change At June 30**

<u>Investment Type</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>2006 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% of Change</u>
Retirement Funds Bond Pool	<u>1,000,295,210</u>	<u>39.1</u>	<u>950,295,210</u>	<u>39.1</u>	<u>50,000,000</u>	<u>5.3</u>
Domestic Stock Pool	<u>709,169,683</u>	<u>27.7</u>	<u>769,762,722</u>	<u>31.7</u>	<u>(60,593,040)</u>	<u>(7.9)</u>
International Stock Pool	<u>406,553,000</u>	<u>15.9</u>	<u>406,553,000</u>	<u>16.7</u>	<u>0</u>	<u>0.0</u>
Montana Private Equity Pool	<u>206,014,330</u>	<u>8.1</u>	<u>146,952,838</u>	<u>6.0</u>	<u>59,061,492</u>	<u>40.2</u>
Total Equity	<u>1,321,737,012</u>	<u>51.7</u>	<u>1,323,268,560</u>	<u>54.4</u>	<u>(1,531,548)</u>	<u>(0.1)</u>
Real Estate Pool	<u>78,213,000</u>	<u>3.1</u>	<u>15,200,000</u>	<u>0.6</u>	<u>63,013,000</u>	<u>414.6</u>
Direct Real Estate	<u>8,672,480</u>	<u>0.3</u>	<u>8,495,959</u>	<u>0.3</u>	<u>176,521</u>	<u>2.1</u>
Montana Mortgages	<u>37,172,266</u>	<u>1.5</u>	<u>43,605,272</u>	<u>1.8</u>	<u>(6,433,006)</u>	<u>(14.8)</u>
Short Term Investment Pool	<u>109,909,836</u>	<u>4.3</u>	<u>91,182,336</u>	<u>3.7</u>	<u>18,727,500</u>	<u>20.5</u>
Total	<u>2,555,999,805</u>	<u>100.0</u>	<u>2,432,047,337</u>	<u>100.0</u>	<u>123,952,467</u>	<u>5.1</u>

### **PERS Annual Fair Value Change At June 30**

<u>Investment Type</u>	<u>2007 \$ Fair Value</u>	<u>% of Total</u>	<u>2006 \$ Fair Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% of Change</u>
Retirement Funds Bond Pool	<u>987,821,047</u>	<u>24.1</u>	<u>932,047,876</u>	<u>26.6</u>	<u>55,773,171</u>	<u>6.0</u>
Domestic Stock Pool	<u>1,735,718,440</u>	<u>42.4</u>	<u>1,586,747,062</u>	<u>45.2</u>	<u>148,971,377</u>	<u>9.4</u>
International Stock Pool	<u>818,362,199</u>	<u>20.0</u>	<u>630,135,329</u>	<u>18.0</u>	<u>188,226,870</u>	<u>29.9</u>
Montana Private Equity Pool	<u>315,058,722</u>	<u>7.7</u>	<u>203,406,134</u>	<u>5.8</u>	<u>111,652,588</u>	<u>54.9</u>
Total Equity	<u>2,869,139,361</u>	<u>70.1</u>	<u>2,420,288,525</u>	<u>68.9</u>	<u>448,850,836</u>	<u>18.5</u>
Real Estate Pool	<u>79,459,123</u>	<u>1.9</u>	<u>15,200,000</u>	<u>0.4</u>	<u>64,259,123</u>	<u>422.8</u>
Direct Real Estate	<u>8,816,423</u>	<u>0.2</u>	<u>8,636,356</u>	<u>0.2</u>	<u>180,068</u>	<u>2.1</u>
Montana Mortgages	<u>36,860,707</u>	<u>0.9</u>	<u>43,096,807</u>	<u>1.2</u>	<u>(6,236,100)</u>	<u>(14.5)</u>
Short Term Investment Pool	<u>109,909,836</u>	<u>2.7</u>	<u>91,182,336</u>	<u>2.6</u>	<u>18,727,500</u>	<u>20.5</u>
Total	<u>4,092,006,497</u>	<u>100.0</u>	<u>3,510,451,899</u>	<u>100.0</u>	<u>581,554,598</u>	<u>16.6</u>

### **PERS Book/Fair Values At June 30, 2007**

<u>Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
Retirement Funds Bond Pool	<u>1,000,295,210</u>	<u>987,821,047</u>	<u>(12,474,163)</u>	<u>39.1</u>	<u>24.1</u>
Domestic Stock Pool	<u>709,169,683</u>	<u>1,735,718,440</u>	<u>1,026,548,757</u>	<u>27.7</u>	<u>42.4</u>
International Stock Pool	<u>406,553,000</u>	<u>818,362,199</u>	<u>411,809,199</u>	<u>15.9</u>	<u>20.0</u>
Montana Private Equity Pool	<u>206,014,330</u>	<u>315,058,722</u>	<u>109,044,392</u>	<u>8.1</u>	<u>7.7</u>
Total Equity	<u>1,321,737,012</u>	<u>2,869,139,361</u>	<u>1,547,402,349</u>	<u>51.7</u>	<u>70.1</u>
Real Estate Pool	<u>78,213,000</u>	<u>79,459,123</u>	<u>1,246,123</u>	<u>3.1</u>	<u>1.9</u>
Direct Real Estate	<u>8,672,480</u>	<u>8,816,423</u>	<u>143,943</u>	<u>0.3</u>	<u>0.2</u>
Montana Mortgages	<u>37,172,266</u>	<u>36,860,707</u>	<u>(311,560)</u>	<u>1.5</u>	<u>0.9</u>
Short Term Investment Pool	<u>109,909,836</u>	<u>109,909,836</u>	<u>0</u>	<u>4.3</u>	<u>2.7</u>
Total	<u>2,555,999,805</u>	<u>4,092,006,497</u>	<u>1,536,006,692</u>	<u>100.0</u>	<u>100.0</u>

### PERS Net Income By Source

<u>Income Type</u>	<u>2007 \$ Income</u>	<u>% Of Total</u>	<u>2006 \$ Income</u>	<u>% Of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Gain on Sale of Pool Units	81,406,964	44.7	28,486,152	25.2	52,920,812	185.8
Retirement Funds Bond Pool	57,829,354	31.8	53,342,167	47.1	4,487,187	8.4
Domestic Stock Pool	13,870,772	7.6	14,181,128	12.5	(310,356)	(2.2)
International Stock Pool	12,915,540	7.1	6,810,762	6.0	6,104,778	89.6
Short Term Investment Pool	6,345,315	3.5	3,409,413	3.0	2,935,903	86.1
Montana Private Equity Pool	4,811,999	2.6	3,266,451	2.9	1,545,548	47.3
Montana Mortgages	2,582,453	1.4	2,950,034	2.6	(367,581)	(12.5)
Real Estate Pool	1,533,218	0.8	63,220	0.1	1,469,998	2,325.2
Direct Real Estate	647,742	0.4	643,527	0.6	4,214	0.7
All Other Funds	204	0.0	3,070	0.0	(2,865)	(93.3)
<b>Total Gross Income</b>	<b>181,943,561</b>	<b>100.0</b>	<b>113,155,924</b>	<b>100.0</b>	<b>68,787,637</b>	<b>60.8</b>
Board Management Fees	(1,081,153)		(1,104,439)		23,286	(2.1)
Custodial Bank Fees	(346,353)		(334,552)		(11,801)	3.5
External Manager Fees	(8,628,442)		(3,569,128)		(5,059,313)	141.8
<b>Total Net Income</b>	<b>171,887,613</b>		<b>108,147,805</b>		<b>63,739,808</b>	<b>58.9</b>

### PERS 2007 Total Rates of Returns By Asset

<u>Asset Class</u>	<u>% Return</u>	<u>Market Index</u>	<u>Index % Return</u>	<u>Return +/- Index</u>
Short Term Investment Pool	5.46	LIBOR 1 Month	5.37	0.09
Domestic Stock Pool	19.53	S&P 1500 Index	20.22	(0.69)
International Stock Pool	31.57	MSCI ex US	29.62	1.95
Private Equity Pool	23.46	S&P 1500 Index + 4%	24.22	(0.76)
Retirement Funds Bond Pool	6.88	Lehman Brothers Aggregate	6.12	0.76
Real Estate Pool	4.82	NCREIF	17.24	(12.42)
Montana Mortgages	7.02	NA	NA	NA
Direct Real Estate	6.56	NA	NA	NA
<b>All Assets</b>	<b>17.96</b>	<b>Composite (1)</b>	<b>17.37</b>	<b>0.59</b>

(1) An Index Composite Paralleling the Fund's Asset Allocation at Fair Value

### PERS Historical Rates of Returns Versus Benchmark

<u>Year</u>	<u>% Return</u>	<u>Benchmark (1)</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
2007	17.96	PERS Composite	17.37	0.59
3 Year Annualized Average	11.64	PERS Composite	11.28	0.36
5 Year Annualized Average	10.97	PERS Composite	10.40	0.57
10 Year Annualized Average	7.67	PERS Composite	7.71	(0.04)

(1) An Index Composite Paralleling the Fund's Asset Allocation At Fair Value

PERS invested balances and income history are shown on Page A-17 in Appendix A

## TEACHERS' RETIREMENT SYSTEM FUND (TRS)

### TRS Annual Book Value Change At June 30

<u>Investment Type</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>2006 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% of Change</u>
Retirement Funds Bond Pool	774,052,977	39.2	730,052,977	39.0	44,000,000	6.0
Domestic Stock Pool	550,689,795	27.9	591,501,945	31.6	(40,812,150)	(6.9)
International Stock Pool	311,631,000	15.8	311,631,000	16.7	0	0.0
Montana Private Equity Pool	157,207,970	8.0	111,203,231	5.9	46,004,739	41.4
Total Equity	<u>1,019,528,766</u>	<u>51.6</u>	<u>1,014,336,177</u>	<u>54.2</u>	<u>5,192,589</u>	<u>0.5</u>
Real Estate Pool	60,321,000	3.1	11,740,000	0.6	48,581,000	413.8
Direct Real Estate	8,157,911	0.4	7,981,391	0.4	176,521	2.2
Montana Mortgages	31,665,264	1.6	37,145,232	2.0	(5,479,968)	(14.8)
Short Term Investment Pool	83,102,502	4.2	68,736,963	3.7	14,365,539	20.9
Total	<u>1,976,828,420</u>	<u>100.0</u>	<u>1,869,992,739</u>	<u>100.0</u>	<u>106,835,681</u>	<u>5.7</u>

### TRS Annual Fair Value Change At June 30

<u>Investment Type</u>	<u>2007 \$ Fair Value</u>	<u>% of Total</u>	<u>2006 \$ Fair Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% of Change</u>
Retirement Funds Bond Pool	766,016,545	24.1	717,609,842	26.4	48,406,703	6.7
Domestic Stock Pool	1,361,988,214	42.8	1,238,892,456	45.5	123,095,758	9.9
International Stock Pool	629,321,268	19.8	484,574,635	17.8	144,746,633	29.9
Montana Private Equity Pool	241,011,163	7.6	154,896,789	5.7	86,114,375	55.6
Total Equity	<u>2,232,320,645</u>	<u>70.1</u>	<u>1,878,363,880</u>	<u>69.0</u>	<u>353,956,765</u>	<u>18.8</u>
Real Estate Pool	61,281,197	1.9	11,740,000	0.4	49,541,197	422.0
Direct Real Estate	8,236,798	0.3	8,056,730	0.3	180,068	2.2
Montana Mortgages	31,399,861	1.0	36,712,095	1.3	(5,312,233)	(14.5)
Short Term Investment Pool	83,102,502	2.6	68,736,963	2.5	14,365,539	20.9
Total	<u>3,182,357,548</u>	<u>100.0</u>	<u>2,721,219,510</u>	<u>100.0</u>	<u>461,138,038</u>	<u>16.9</u>

### TRS Book/Fair Values At June 30, 2007

<u>Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
Retirement Funds Bond Pool	774,052,977	766,016,545	(8,036,432)	39.2	24.1
Domestic Stock Pool	550,689,795	1,361,988,214	811,298,418	27.9	42.8
International Stock Pool	311,631,000	629,321,268	317,690,268	15.8	19.8
Montana Private Equity Pool	157,207,970	241,011,163	83,803,193	8.0	7.6
Total Equity	<u>1,019,528,766</u>	<u>2,232,320,645</u>	<u>1,212,791,879</u>	<u>51.6</u>	<u>70.1</u>
Real Estate Pool	60,321,000	61,281,197	960,197	3.1	1.9
Direct Real Estate	8,157,911	8,236,798	78,886	0.4	0.3
Montana Mortgages	31,665,264	31,399,861	(265,403)	1.6	1.0
Short Term Investment Pool	83,102,502	83,102,502	0	4.2	2.6
Total	<u>1,976,828,420</u>	<u>3,182,357,548</u>	<u>1,205,529,128</u>	<u>100.0</u>	<u>100.0</u>

### TRS Net Income By Source

<u>Income Type</u>	<u>2007 \$ Income</u>	<u>% Of Total</u>	<u>2006 \$ Income</u>	<u>% Of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Gain on Sale of Pool Units	60,387,854	43.8	9,760,322	13.0	50,627,533	518.7
Retirement Funds Bond Pool	44,556,027	32.3	40,611,147	54.2	3,944,880	9.7
Domestic Stock Pool	10,726,142	7.8	10,926,747	14.6	(200,605)	(1.8)
International Stock Pool	9,932,062	7.2	5,237,481	7.0	4,694,581	89.6
Short Term Investment Pool	4,702,916	3.4	2,701,497	3.6	2,001,419	74.1
Montana Private Equity Pool	3,668,413	2.7	2,504,300	3.3	1,164,114	46.5
Montana Mortgages	2,199,867	1.6	2,512,992	3.4	(313,125)	(12.5)
Real Estate Pool	1,182,933	0.9	48,829	0.1	1,134,104	2,322.6
Direct Real Estate	601,837	0.4	604,110	0.8	(2,273)	(0.4)
All Other Funds	173	0.0	2,615	0.0	(2,442)	(93.4)
Total Gross Income	<u>137,958,226</u>	<u>100.0</u>	<u>74,910,039</u>	<u>100.0</u>	<u>63,048,187</u>	<u>84.2</u>
Board Management Fees	(839,097)		(859,151)		20,054	(2.3)
Custodial Bank Fees	(266,022)		(257,064)		(8,958)	3.5
External Manager Fees	<u>(6,623,485)</u>		<u>(2,743,573)</u>		<u>(3,879,913)</u>	<u>141.4</u>
Total Net Income	<u>130,229,621</u>		<u>71,050,251</u>		<u>59,179,371</u>	<u>83.3</u>

### TRS 2007 Total Rates of Return by Asset

<u>Asset Class</u>	<u>% Return</u>	<u>Market Index</u>	<u>Index % Return</u>	<u>Return +/- Index</u>
Short Term Investment Pool	5.46	LIBOR 1 Month	5.37	0.09
Domestic Stock Pool	19.53	S&P 1500 Index	20.22	(0.69)
International Stock Pool	31.57	MSCI ex US	29.62	1.95
Private Equity Pool	23.46	S&P 1500 Index + 4%	24.22	(0.76)
Retirement Funds Bond Pool	6.88	Lehman Brothers Aggregate	6.12	0.76
Real Estate Pool	4.82	NCREIF	17.24	(12.42)
Montana Mortgages	7.02	NA	NA	NA
Direct Real Estate	6.55	NA	NA	NA
All Assets	<u>17.94</u>	Composite (1)	<u>17.36</u>	<u>0.58</u>

(1) An Index Composite Paralleling the Fund's Asset Allocation at Fair Value

### TRS Historical Rates of Returns Versus Benchmark

<u>Year</u>	<u>% Return</u>	<u>Benchmark (1)</u>	<u>Benchmark % Return</u>	<u>Return Benchmark</u>
2007	17.94	TRS Composite	17.36	0.58
3 Year Annualized Average	11.64	TRS Composite	11.29	0.35
5 Year Annualized Average	10.95	TRS Composite	10.31	0.64
10 Year Annualized Average	7.68	TRS Composite	7.69	(0.01)

(1) An Index Composite Parallelling the Fund's Asset Allocation At Fair Value

TRS invested balances and income history are shown on Page A-18 in Appendix A.

## OTHER RETIREMENT SYSTEMS

<b>Assets of Individual Pensions at June 30</b>						
<b>Systems</b>	<b>2007 \$ Fair Value</b>	<b>2006 \$ Fair Value</b>	<b>2007 \$ Book Value</b>	<b>2006 \$ Book Value</b>	<b>Fair % Change</b>	<b>Book % Change</b>
Police	202,111,670	169,416,551	133,138,238	124,093,432	19.3	7.3
Sheriffs	196,216,438	165,117,982	127,876,186	120,113,705	18.8	6.5
Firefighters	192,509,793	161,465,456	127,771,817	119,141,429	19.2	7.2
Highway Patrol	102,618,067	88,607,707	64,981,471	62,274,983	15.8	4.3
Game Wardens	73,194,406	59,396,228	49,832,066	44,610,029	23.2	11.7
Judges	61,806,036	52,585,905	39,231,024	37,099,081	17.5	5.7
Vol. Firefighters	27,491,637	23,433,584	19,669,979	18,555,017	17.3	6.0
<b>Total</b>	<b>855,948,048</b>	<b>720,023,414</b>	<b>562,500,780</b>	<b>525,887,674</b>	<b>18.9</b>	<b>7.0</b>

<b>Other Pensions Annual Change At June 30</b>						
<b>Investment Type</b>	<b>2007 \$ Book Value</b>	<b>% of Total</b>	<b>2006 \$ Book Value</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% of Change</b>
Retirement Funds Bond Pool	219,765,162	39.1	204,095,162	38.8	15,670,000	7.7
Domestic Stock Pool	175,454,015	31.2	182,694,186	34.7	(7,240,171)	(4.0)
International Stock Pool	84,505,342	15.0	83,797,893	15.9	707,449	0.8
Montana Private Equity Pool	42,573,021	7.6	30,139,252	5.7	12,433,769	41.3
<b>Total Equity</b>	<b>302,532,377</b>	<b>53.8</b>	<b>296,631,330</b>	<b>56.4</b>	<b>5,901,047</b>	<b>2.0</b>
Real Estate Pool	16,501,000	2.9	3,095,000	0.6	13,406,000	433.2
Short Term Investment Pool	23,702,241	4.2	22,066,182	4.2	1,636,059	7.4
<b>Total</b>	<b>562,500,780</b>	<b>100.0</b>	<b>525,887,674</b>	<b>100.0</b>	<b>36,613,106</b>	<b>7.0</b>

<b>Other Pensions Book/Fair Values At June 30, 2007</b>					
<b>Investment Type</b>	<b>Book \$ Value</b>	<b>Fair \$ Value</b>	<b>Fair \$ +/- Book</b>	<b>% of Book</b>	<b>% of Fair</b>
Retirement Funds Bond Pool	219,765,162	215,886,750	(3,878,412)	39.1	25.2
Domestic Stock Pool	175,454,015	366,257,898	190,803,884	31.2	42.8
International Stock Pool	84,505,342	167,913,215	83,407,874	15.0	19.6
Montana Private Equity Pool	42,573,021	65,427,262	22,854,241	7.6	7.6
<b>Total Equity</b>	<b>302,532,377</b>	<b>599,598,376</b>	<b>297,065,999</b>	<b>53.8</b>	<b>70.1</b>
Real Estate Pool	16,501,000	16,760,681	259,681	2.9	2.0
Short Term Investment Pool	23,702,241	23,702,241	0	4.2	2.8
<b>Total</b>	<b>562,500,780</b>	<b>855,948,048</b>	<b>293,447,268</b>	<b>100.0</b>	<b>100.0</b>

**Other Retirement Systems 2007 Total Rates of Return**

Fund	% Return	Index (1)	% Return	Fund +/-Index
Sheriffs	17.86	Composite	17.26	0.60
Police	17.89	Composite	17.28	0.61
Firefighters	17.90	Composite	17.28	0.62
Highway Patrol	18.00	Composite	17.39	0.61
Judges	17.91	Composite	17.31	0.60
Game Warden	17.83	Composite	17.21	0.62
Vol. Firefighters	18.03	Composite	17.38	0.65

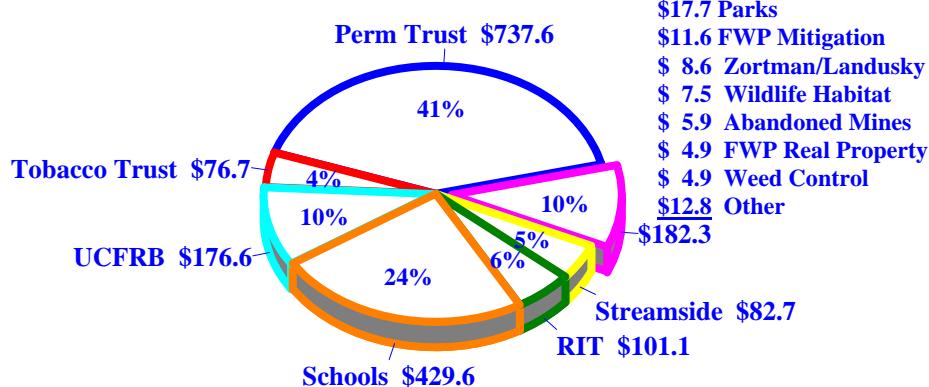
(1) An Index Composite Paralleling the Fund's Asset Allocation at Fair Value

The seven other retirement funds are administered by the Public Employees' Retirement Board, the same Board that administers the Public Employees' Retirement System. These smaller systems participate with the Public Employees' Retirement Fund and the Teachers' Retirement Fund in all investment pools managed by the Board, but do not participate in the Montana Residential Mortgage Program or direct real estate investments.

# Trust Funds By Source

\$1.79 Billion Fair Value At June 30, 2007

(In Millions)



## TRUST FUNDS

The Board invests several trust funds, some of which are created and protected by the state constitution.

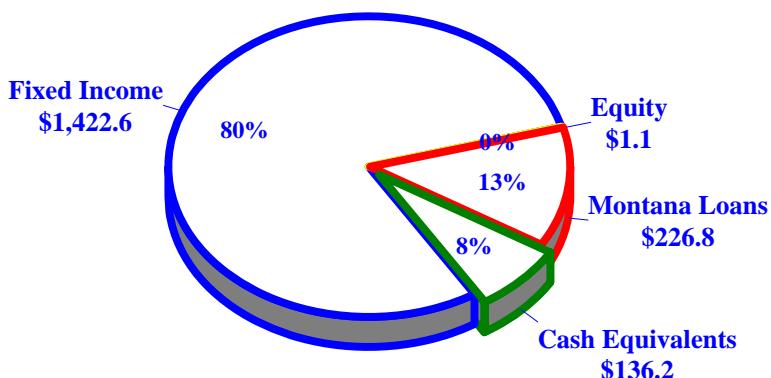
Other trusts have been created statutorily by the legislature or involve federal funds.

Several trust funds were established as a part of settlements between the state and private corporations to ensure environmental clean up of polluted sites.

# Trust Funds By Investment

\$1.79 Billion Fair Value At June 30, 2007

(In Millions)



The upper graph shows the various trust funds by type. The lower graph shows the trust fund investments by major asset class.

The table on the next page shows the change in the book value from 2006 to 2007 by individual trust fund.

**Total Trust Funds Annual Change At June 30**

<b>Trust</b>	<b>2007 \$ Book Value</b>	<b>% of Total</b>	<b>2006 \$ Book Value</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% Change</b>
Permanent Coal Tax Trust (1)	742,559,729	41.4	725,192,740	40.6	17,366,989	2.4
Schools (Trust and Legacy)	428,153,530	23.9	423,153,735	23.7	4,999,795	1.2
UCFRB Restoration	160,387,835	8.9	156,259,455	8.7	4,128,380	2.6
Resource Indemnity Trust	100,023,109	5.6	100,023,109	5.6	0	0.0
Streamside Tailings	83,646,994	4.7	86,794,863	4.9	(3,147,869)	(3.6)
Highway 93 Bond	45,021,865	2.5	84,529,084	4.7	(39,507,219)	(46.7)
Tobacco Trust	79,001,066	4.4	68,174,460	3.8	10,826,606	15.9
Trusts in STIP	34,645,601	1.9	30,194,591	1.7	4,451,009	14.7
Montana Pole	29,203,022	1.6	28,225,455	1.6	977,567	3.5
Parks Trust	17,949,537	1.0	17,098,681	1.0	850,856	5.0
UCFRB Reserve	17,069,616	1.0	16,051,766	0.9	1,017,850	6.3
FWP Mitigation	11,681,995	0.7	11,407,035	0.6	274,960	2.4
Cultural Trust	8,783,681	0.5	8,476,780	0.5	306,901	3.6
Zortman/Landusky	7,881,731	0.4	7,371,362	0.4	510,369	6.9
Wildlife Habitat	7,833,506	0.4	7,334,441	0.4	499,065	6.8
Abandoned Mines	5,914,331	0.3	5,639,120	0.3	275,211	4.9
FWP Real Property	5,049,006	0.3	4,862,378	0.3	186,628	3.8
Weed Control	4,956,938	0.3	4,701,120	0.3	255,818	5.4
Zort/Land LT H20 Trust	2,569,255	0.1	1,248,702	0.1	1,320,554	105.8
Trusts in TFBP	694,479	0.0	694,479	0.0	0	0.0
Trusts in MTCP	186,873	0.0	186,873	0.0	0	0.0
<b>Total</b>	<b>1,793,213,702</b>	<b>100.0</b>	<b>1,787,620,232</b>	<b>100.0</b>	<b>5,593,470</b>	<b>0.3</b>
Fixed-Income	1,430,091,199	79.8	1,449,342,655	81.1	(19,251,456)	(1.3)
Montana Loans	226,767,173	12.6	208,928,654	11.7	17,838,519	8.5
Cash Equivalents (STIP)	136,168,457	7.6	129,162,050	7.2	7,006,407	5.4
Equity	186,873	0.0	186,873	0.0	0	0.0
<b>Total</b>	<b>1,793,213,702</b>	<b>100.0</b>	<b>1,787,620,232</b>	<b>100.0</b>	<b>5,593,470</b>	<b>0.3</b>

(1) Includes Treasure State Endowment, Treasure State Water, Big Sky Economic Development, CST Bond and permanent Income Accounts

A complete listing of individual trust fund investment portfolios is shown beginning on Page A-6 in Appendix A. The investment income earned by each trust is shown beginning on Page A-1 in Appendix A.

## COAL TAX TRUST FUND

Article IX, Section 5 of the state Constitution requires that 50 percent of all coal severance tax revenues be deposited in a permanent trust fund (Trust), in which the principal "shall forever remain inviolate unless appropriated by a three-fourths vote of each house" of the legislature. The Board is encouraged to invest up to 25 percent of the Trust in Montana businesses.

The Legislature has partitioned the Trust into several sub-funds. The Permanent Fund was initially established when the Trust was created, while the Severance Tax Bond Fund, created later, provides debt service guarantees and is invested solely in STIP. The Treasure State Endowment Fund was created July 1, 1993, with a \$10.0 million transfer from the Permanent Fund. From July 1, 1993 through June 30, 1999 one-half of the coal severance tax earmarked for the Trust was deposited in the Permanent Fund and the remaining 50 percent was deposited in the Treasure State Endowment Fund.

Effective July 1, 1999, a new "Treasure State Endowment Regional Water Fund" sub-fund was created and 25 percent of Trust revenues were dedicated to that account.

Effective July 1, 2005, a new "Big Sky Economic Development Fund" sub-fund was created and 25 percent of Trust revenues were dedicated to that account.

There is currently no new revenue dedicated to the Permanent Fund.

Income from the Permanent Fund and the two Bond Funds is deposited in the Permanent Fund Income Fund where it is swept periodically to the state general fund. All sub-funds, except the income fund, are protected by the Constitution and may be appropriated only by a three-fourths vote of each house of the legislature. Income from the Treasure State Endowment is appropriated by the legislature for local government infrastructure projects. Treasure State Endowment Regional Water Fund income is appropriated by the legislature for local government water projects. Big Sky Economic Development Fund income is appropriated by the legislature for economic development projects.

The book values of the Coal Tax Trust sub-funds are shown below:

<b><u>Coal Tax Trust Subfunds at June 30</u></b>						
<b>Subfund</b>	<b>2007 \$ Book Value</b>	<b>% of Total</b>	<b>2006 \$ Book Value</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% Change</b>
Permanent Fund	524,649,927	70.7	528,863,711	72.9	(4,213,784)	(0.8)
Treasure State Endowment	147,494,985	19.9	136,459,197	18.8	11,035,789	8.1
Treasure State Regional Water	32,914,200	4.4	27,397,351	3.8	5,516,849	20.1
Economic Development Fund	29,122,282	3.9	23,605,433	3.3	5,516,849	23.4
Severance Tax Bond Fund	4,536,670	0.6	5,896,131	0.8	(1,359,461)	(23.1)
Permanent Fund Income	3,841,665	0.5	2,970,918	0.4	870,747	29.3
<b>Total Coal Tax Trust</b>	<b>742,559,729</b>	<b>100.0</b>	<b>725,192,740</b>	<b>100.0</b>	<b>17,366,989</b>	<b>2.4</b>

The tables on the next page show:

- The changes in book value of portfolio securities,
- The difference between book and fair value of the securities portfolio, and
- The securities portfolio total rate of return.

<b>Permanent Coal Tax Trust Change At June 30 (1)</b>						
<b>Investment Type</b>	<b>2007 \$ Book Value</b>	<b>% of Total</b>	<b>2006 \$ Book Value</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% Change</b>
Fixed Income (TFBP)	488,224,541	65.7	467,064,535	64.4	21,160,006	4.5
Science and Technology	13,089,151	1.8	13,865,733	1.9	(776,582)	(5.6)
Department of Natural Resources	11,573,605	1.6	31,047,064	4.3	(19,473,459)	(62.7)
Department of Justice	2,317,000	0.3	2,112,000	0.3	205,000	9.7
Montana Facility Finance	4,615,196	0.6	14,476	0.0	4,600,720	N/A
Local Gov. Infrastructure	18,859,692	2.5	7,465,725	1.0	11,393,967	152.6
Value-added Loans	17,760,734	2.4	9,191,738	1.3	8,568,996	93.2
Commercial Loans	156,848,901	21.1	144,273,087	19.9	12,575,814	8.7
Intermediary Loan Program	1,702,895	0.2	958,832	0.1	744,063	77.6
Total In-State Investments	<u>226,767,173</u>	<u>30.5</u>	<u>208,928,654</u>	<u>28.8</u>	<u>17,838,519</u>	<u>8.5</u>
STIP Tr. St. Endow Trust	892,413	0.1	1,016,938	0.1	(124,525)	(12.2)
STIP Permanent Trust Income	3,841,665	0.5	2,970,918	0.4	870,747	29.3
STIP Permanent Fund	17,707,116	2.4	38,059,995	5.2	(20,352,879)	(53.5)
STIP Sev. Tax Bond Fund	4,536,670	0.6	5,896,131	0.8	(1,359,461)	(23.1)
STIP Tr. St. Regional Water	317,196	0.0	649,872	0.1	(332,676)	(51.2)
STIP Economic Development Fund	272,955	0.0	605,697	0.1	(332,742)	(54.9)
Cash Equivalents (STIP)	<u>27,568,015</u>	<u>3.7</u>	<u>49,199,551</u>	<u>6.8</u>	<u>(21,631,536)</u>	<u>(44.0)</u>
<b>Total</b>	<b><u>742,559,729</u></b>	<b><u>100.0</u></b>	<b><u>725,192,740</u></b>	<b><u>100.0</u></b>	<b><u>17,366,989</u></b>	<b><u>2.4</u></b>
(1) Includes Treasure State Endowment, Treasure State Water, Big Sky Economic Development, CST Bond and Permanent Income Account						

<b>Permanent Coal Tax Trust Book/Fair Values At June 30, 2007</b>					
<b>Investment Type</b>	<b>Book \$ Value</b>	<b>Fair \$ Value</b>	<b>Fair \$ +/- Book</b>	<b>% of Book</b>	<b>% of Fair</b>
Fixed Income (TFBP)	488,224,541	483,231,038	(4,993,503)	65.7	65.5
In-State Investments	226,767,173	226,767,173	0	30.5	30.7
Cash Equivalents (STIP)	<u>27,568,015</u>	<u>27,568,015</u>	<u>0</u>	<u>3.7</u>	<u>3.7</u>
<b>Total</b>	<b><u>742,559,729</u></b>	<b><u>737,566,226</u></b>	<b><u>(4,993,503)</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

<b>Permanent Coal Tax Trust 2007 Total Rates of Return</b>				
<b>Asset Type</b>	<b>% Return</b>	<b>Benchmarks</b>	<b>Benchmark % Return</b>	<b>Return +/- Benchmark</b>
Cash Equivalents (STIP)	5.46	LIBOR 1 Month	5.37	0.09
Fixed Income (TFBP)	6.81	Lehman Brothers Aggregate	6.12	0.69
Montana Loans (1)	5.38	In-State Loans	NA	NA
All Assets	<u>6.22</u>			

(1) In-State Investment Loans, Science & Tech Loans, and other legislatively authorized loans

The Coal Tax Trust earned \$44.5 million in investment income in 2007, compared to \$41.8 million in 2006.

The Coal Tax Trust is also used to fund the In-State Investment Program (*See Page 61*). The Coal Tax Trust invested balances and investment income history are shown on Page A-19 in Appendix A.

## TRUST AND LEGACY FUND

Article X, Sections 2 and 3 of the state Constitution requires that all royalties and other proceeds received from school lands granted to the state under federal enabling legislation be deposited in the Trust and Legacy Fund, where it shall forever remain inviolate and guaranteed by the state against loss or diversion.

### **Trust & Legacy Fund Annual Change At June 30**

<u>Investment Type</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>2006 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Fixed Income (TFBP)	<u>428,153,530</u>	<u>100.0</u>	<u>423,153,735</u>	<u>100.0</u>	<u>4,999,795</u>	<u>1.2</u>
Total	<u>428,153,530</u>	<u>100.0</u>	<u>423,153,735</u>	<u>100.0</u>	<u>4,999,795</u>	<u>1.2</u>

### **Trust & Legacy Book/Fair Values At June 30, 2007**

<u>Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
Fixed Income (TFBP)	<u>428,153,530</u>	<u>429,614,627</u>	<u>1,461,097</u>	<u>100.0</u>	<u>100.0</u>
Total	<u>428,153,530</u>	<u>429,614,627</u>	<u>1,461,097</u>	<u>100.0</u>	<u>100.0</u>

### **Trust & Legacy Fund 2007 Total Rates of Return**

<u>Asset Type</u>	<u>% Return</u>	<u>Benchmarks</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
Fixed Income (TFBP)	<u>6.69</u>	Lehman Brothers Aggregate	<u>6.12</u>	<u>0.57</u>
All Assets	<u>6.68</u>			

The Trust and Legacy Fund earned \$26.5 million in investment income in 2007, compared to \$24.8 million in 2006. The Trust and Legacy Fund invested balances and investment income history are shown on Page A-20 in Appendix A.

## RESOURCE INDEMNITY TRUST FUND

Article IX, Section 2 of the state Constitution requires that revenues from the Resource Indemnity Tax on minerals be deposited in the Resource Indemnity Trust Fund, the principal of which "shall forever remain inviolate" until the principal reaches \$100 million. The fund's book value reached \$100.0 million in fiscal 2002.

### Resource Indemnity Trust Annual Change At June 30

<u>Investment Type</u>	2007 <u>Book Value</u>	% of <u>Total</u>	2006 <u>Book Value</u>	% of <u>Total</u>	\$ <u>Change</u>	% <u>Change</u>
Fixed Income (TFBP)	<u>99,999,976</u>	<u>100.0</u>	<u>99,999,976</u>	<u>100.0</u>	<u>0</u>	<u>0.0</u>
Cash Equivalents (STIP)	<u>23,133</u>	<u>0.0</u>	<u>23,133</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>
<b>Total</b>	<b><u>100,023,109</u></b>	<b><u>100.0</u></b>	<b><u>100,023,109</u></b>	<b><u>100.0</u></b>	<b><u>0</u></b>	<b><u>0.0</u></b>

### Resource Indemnity Trust Book/Fair Values At June 30, 2007

<u>Investment Type</u>	Book \$ <u>Value</u>	Fair \$ <u>Value</u>	Fair \$ <u>+/- Book</u>	% of <u>Book</u>	% of <u>Fair</u>
Fixed Income (TFBP)	<u>99,999,976</u>	<u>101,114,860</u>	<u>1,114,884</u>	<u>100.0</u>	<u>100.0</u>
Cash Equivalents (STIP)	<u>23,133</u>	<u>23,133</u>	<u>0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total</b>	<b><u>100,023,109</u></b>	<b><u>101,137,993</u></b>	<b><u>1,114,884</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

### Resource Indemnity Trust Fund 2007 Total Rates of Return

<u>Asset Type</u>	<u>% Return</u>	<u>Benchmarks</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
Fixed Income (TFBP)	<u>6.69</u>	Lehman Brothers Aggregate	<u>6.12</u>	<u>0.57</u>
All Assets	<u>6.69</u>			

The Resource Indemnity Trust Fund earned \$6.2 million in investment income in 2007, compared to \$5.9 million in 2006. The Resource Indemnity Trust Fund invested balances and investment income history are shown on Page A-21 in Appendix A.

## COAL TAX PARKS/CULTURAL TRUST FUNDS

A portion of the coal severance tax is dedicated to a statutorily created Parks Trust Fund and a Cultural Trust Fund (Trusts). Investment income generated by the Trusts is appropriated by the legislature to acquire/operate state parks and to fund cultural and aesthetics projects. The 1997 legislature appropriated \$3.9 million of Cultural Trust principal to purchase historical properties.

<b>Coal Tax Parks/Cultural Funds Annual Change At June 30</b>						
<b>Fund Type</b>	<b>2007 \$ Book Value</b>	<b>% of Total</b>	<b>2006 \$ Book Value</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% Change</b>
Parks Trust	17,949,537	67.1	17,098,681	66.9	850,856	5.0
Cultural Trust	<u>8,783,681</u>	<u>32.9</u>	<u>8,476,780</u>	<u>33.1</u>	<u>306,901</u>	<u>3.6</u>
<b>Total</b>	<b>26,733,218</b>	<b>100.0</b>	<b>25,575,461</b>	<b>100.0</b>	<b>1,157,757</b>	<b>4.5</b>
<b>Investment Type</b>						
Fixed Income (TFBP)	26,160,213	97.9	25,250,554	98.7	909,659	3.6
Cash Equivalents (STIP)	<u>573,005</u>	<u>2.1</u>	<u>324,907</u>	<u>1.3</u>	<u>248,098</u>	<u>76.4</u>
<b>Total</b>	<b>26,733,218</b>	<b>100.0</b>	<b>25,575,461</b>	<b>100.0</b>	<b>1,157,757</b>	<b>4.5</b>

<b>Parks/Cultural Trusts Book/Fair Values At June 30, 2007</b>					
<b>Fund Type</b>	<b>Book \$ Value</b>	<b>Fair \$ Value</b>	<b>Fair \$ +/- Book</b>	<b>% of Book</b>	<b>% of Fair</b>
Parks Trust	17,949,537	17,712,088	(237,449)	67.1	67.4
Cultural Trust	<u>8,783,681</u>	<u>8,585,229</u>	<u>(198,452)</u>	<u>32.9</u>	<u>32.6</u>
<b>Total</b>	<b>26,733,218</b>	<b>26,297,317</b>	<b>(435,901)</b>	<b>100.0</b>	<b>100.0</b>
<b>Investment Type</b>					
Fixed Income (TFBP)	26,160,213	25,724,312	(435,901)	97.9	97.8
Cash Equivalents (STIP)	<u>573,005</u>	<u>573,005</u>	<u>0</u>	<u>2.1</u>	<u>2.2</u>
<b>Total</b>	<b>26,733,218</b>	<b>26,297,317</b>	<b>(435,901)</b>	<b>100.0</b>	<b>100.0</b>

<b>Parks/Cultural Trust Funds 2007 Total Rates of Return</b>					
<b>Asset Type</b>	<b>% Return</b>	<b>Benchmarks</b>	<b>Benchmark % Return</b>	<b>Return +/- Benchmark</b>	
<b>Parks Trust:</b>					
Cash Equivalents (STIP)	5.46	LIBOR 1 Month	5.37	0.09	
Fixed Income (TFBP)	<u>6.69</u>	Lehman Brothers Aggregate	6.12	0.57	
Parks Trust All Assets	<u>6.64</u>				
<b>Cultural Trust:</b>					
Cash Equivalents (STIP)	5.45	LIBOR 1 Month	5.37	0.08	
Fixed Income (TFBP)	<u>6.69</u>	Lehman Brothers Aggregate	6.12	0.57	
Cultural Trust All Assets	<u>6.71</u>				

The trusts earned \$1.6 million in investment income in 2007, compared to \$1.4 million in 2006. The invested balances and investment income history of these trusts are shown on Page A-22 in Appendix A.

## **OTHER TRUST FUNDS**

**Fish, Wildlife, and Parks (FWP) Mitigation Trust** - expendable trust funds fish and wildlife mitigation/enhancements.

**Abandoned Mine Trust** - expendable trust funds abandoned mine reclamation.

**FWP Real Property Trust** - non-expendable trust funds operations, development, and maintenance of FWP real property.

**Weed Control Trust** - non-expendable \$2.5 million trust funds noxious weed control.

**Wildlife Habitat Trust** - funds acquisition/development/maintenance of wildlife habitat.

**Montana Post and Pole Trust** - funds environmental cleanup of the former Montana Pole and Treatment Plant in Butte.

**Guaranteed Student Loan** - the federal portion of student loan monies.

**The UCFRB Funds** represent proceeds from state settlements with the Atlantic Richfield Company for restoration of the Upper Clark Fork River Basin.

**Streamside Tailing Funds** are derived from a consent decree between the state and the Atlantic Richfield Company for remedial treatment of the Silver Bow Creek/Butte area.

**Tobacco Trust** – the nation’s largest tobacco companies are required to pay at least \$205.0 billion over the next 25 years to the states. Forty percent of Montana’s share is deposited in a trust fund.

**Zortman/Landusky Funds** were paid by the Pegasus mining company and its insurer to provide long-term water treatment at the closed Zortman and Landusky mines near Malta.

**Highway 93 Bond** – represents proceeds from a 2005 \$129.4 million bond issue to fund Highway 93 improvements.

**Zortman/Landusky LT H20 Trust** – this fund has the same purpose as the existing Zortman/Landusky account; however, the source of funds is different. The legislature requires a deposit of \$1.2 million a year into this account until there are sufficient funds to generate \$19.3 million by January 1, 2018.

**Other Trusts Annual Change At June 30**

<u>Fund</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>2006 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
UCFRB Restoration	160,387,835	34.9	156,259,455	32.4	4,128,380	2.6
Streamside Tailings	83,646,994	18.2	86,794,863	18.0	(3,147,869)	(3.6)
Tobacco Trust	79,001,066	17.2	68,174,460	14.1	10,826,606	15.9
Highway 93 Bond	45,021,865	9.8	84,529,084	17.5	(39,507,219)	(46.7)
Montana Pole	29,203,022	6.3	28,225,455	5.8	977,567	3.5
UCFRB Reserve	17,069,616	3.7	16,051,766	3.3	1,017,850	6.3
FWP Mitigation	11,681,995	2.5	11,407,035	2.4	274,960	2.4
Zortman/Landusky	7,881,731	1.7	7,371,362	1.5	510,369	6.9
Wildlife Habitat	7,833,506	1.7	7,334,441	1.5	499,065	6.8
Abandoned Mines	5,914,331	1.3	5,639,120	1.2	275,211	4.9
FWP Real Property	5,049,006	1.1	4,862,378	1.0	186,628	3.8
Weed Control	4,956,938	1.1	4,701,120	1.0	255,818	5.4
Zort/Land LT H20 Trust	<u>2,569,255</u>	<u>0.6</u>	<u>1,248,702</u>	<u>0.3</u>	<u>1,320,554</u>	<u>105.8</u>
Total	<u>460,217,163</u>	<u>100.0</u>	<u>482,599,243</u>	<u>100.0</u>	<u>(22,382,080)</u>	<u>(4.6)</u>
<b><u>Investment Type</u></b>						
Trust Funds Bond Pool	326,025,710	70.8	298,627,668	61.9	27,398,043	9.2
Corporate Asset-Backed Bonds	8,773,046	1.9	10,367,710	2.1	(1,594,664)	(15.4)
Other Corporate Bonds	12,137,659	2.6	14,772,297	3.1	(2,634,638)	(17.8)
US Mortgage-Backed Bonds	2,006,844	0.4	2,493,901	0.5	(487,058)	(19.5)
US Government-Backed Bonds	<u>37,915,201</u>	<u>8.2</u>	<u>106,917,800</u>	<u>22.2</u>	<u>(69,002,599)</u>	<u>(64.5)</u>
Total Fixed Income	<u>386,858,460</u>	<u>84.1</u>	<u>433,179,376</u>	<u>89.8</u>	<u>(46,320,916)</u>	<u>(10.7)</u>
Cash Equivalents (STIP)	<u>73,358,704</u>	<u>15.9</u>	<u>49,419,867</u>	<u>10.2</u>	<u>23,938,836</u>	<u>48.4</u>
Total	<u>460,217,163</u>	<u>100.0</u>	<u>482,599,243</u>	<u>100.0</u>	<u>(22,382,080)</u>	<u>(4.6)</u>

**Other Trusts Book/Fair Values At June 30, 2007**

<u>Fund</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
UCFRB Restoration	160,387,835	159,704,353	(683,482)	34.9	35.1
Streamside Tailings	83,646,994	82,700,548	(946,447)	18.2	18.2
Tobacco Trust	79,001,066	76,710,447	(2,290,619)	17.2	16.8
Highway 93 Bond	45,021,865	45,021,865	0	9.8	9.9
Montana Pole	29,203,022	28,803,681	(399,341)	6.3	6.3
UCFRB Reserve	17,069,616	16,882,065	(187,551)	3.7	3.7
FWP Mitigation	11,681,995	11,565,877	(116,118)	2.5	2.5
Zortman/Landusky	7,881,731	8,558,140	676,409	1.7	1.9
Wildlife Habitat	7,833,506	7,542,040	(291,466)	1.7	1.7
Abandoned Mines	5,914,331	5,858,227	(56,105)	1.3	1.3
Weed Control	4,956,938	4,908,221	(48,717)	1.1	1.1
FWP Real Property	5,049,006	4,854,453	(194,553)	1.1	1.1
Zort/Land LT H20 Trust	2,569,255	2,526,760	(42,496)	0.6	0.6
<b>Total</b>	<b>460,217,163</b>	<b>455,636,677</b>	<b>(4,580,487)</b>	<b>100.0</b>	<b>100.0</b>
<b>Investment Type</b>					
Trust Funds Bond Pool	326,025,710	321,316,929	(4,708,781)	70.8	70.5
Corporate Asset-Backed Bonds	8,773,046	8,580,216	(192,830)	1.9	1.9
Other Corporate Bonds	12,137,659	11,997,234	(140,425)	2.6	2.6
US Mortgage-Backed Bonds	2,006,844	2,001,744	(5,099)	0.4	0.4
US Government-Backed Bonds	37,915,201	38,381,850	466,649	8.2	8.4
International (US \$)	0	0	0	0.0	0.0
<b>Total Fixed-Income</b>	<b>386,858,460</b>	<b>382,277,973</b>	<b>(4,580,487)</b>	<b>84.1</b>	<b>83.9</b>
Cash Equivalents (STIP)	73,358,704	73,358,704	0	15.9	16.1
<b>Total</b>	<b>460,217,163</b>	<b>455,636,677</b>	<b>(4,580,487)</b>	<b>100.0</b>	<b>100.0</b>

The other trust portfolios are listed beginning on Page A-6 in Appendix A. The investment income earned by each trust is shown beginning on Page A-1 in Appendix A.

## STATE FUND INSURANCE

The State Compensation Insurance Fund (State Fund) provides workers' compensation and occupational disease insurance for claims arising from injuries occurring on or after July 1, 1990. Effective on that date, the state's workers' compensation fund was divided into two funds with separate liabilities. The "old" fund retained all financial obligations for claims for injuries occurring prior to July 1, 1990, while the "new" fund assumed claim obligations for injuries occurring after that date.

### **State Fund Insurance Annual Change At June 30**

<u>Investment Type</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>2006 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% of Change</u>
Corporate Asset-Backed Bonds	<u>52,415,861</u>	<u>6.1</u>	<u>30,052,781</u>	<u>4.0</u>	<u>22,363,081</u>	<u>74.4</u>
Other Corporate Bonds	<u>361,308,038</u>	<u>42.2</u>	<u>321,199,770</u>	<u>42.8</u>	<u>40,108,268</u>	<u>12.5</u>
US Mortgage-Backed Bonds	<u>16,058,517</u>	<u>1.9</u>	<u>20,208,115</u>	<u>2.7</u>	<u>(4,149,598)</u>	<u>(20.5)</u>
US Government-Backed Bonds	<u>346,347,064</u>	<u>40.5</u>	<u>298,646,776</u>	<u>39.8</u>	<u>47,700,288</u>	<u>16.0</u>
<b>Total Fixed Income</b>	<b><u>776,129,480</u></b>	<b><u>90.7</u></b>	<b><u>670,107,442</u></b>	<b><u>89.2</u></b>	<b><u>106,022,038</u></b>	<b><u>15.8</u></b>
BGI S&P 500 Equity Index	<u>68,406,676</u>	<u>8.0</u>	<u>68,406,676</u>	<u>9.1</u>	<u>0.0</u>	<u>0.0</u>
Direct Real Estate	<u>1,139,460</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>1,139,460</u>	<u>N/A</u>
Cash Equivalents (STIP)	<u>10,305,619</u>	<u>1.2</u>	<u>12,396,116</u>	<u>1.7</u>	<u>(2,090,497)</u>	<u>(16.9)</u>
<b>Total</b>	<b><u>855,981,236</u></b>	<b><u>100.0</u></b>	<b><u>750,910,235</u></b>	<b><u>100.0</u></b>	<b><u>105,071,001</u></b>	<b><u>14.0</u></b>

### **State Fund Insurance Book/Fair Values At June 30, 2007**

<u>Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Fixed</u>	<u>% of Fair</u>
Corporate Asset-Backed Bonds	<u>52,415,861</u>	<u>52,687,912</u>	<u>272,051</u>	<u>6.9</u>	<u>6.0</u>
Other Corporate Bonds	<u>361,308,038</u>	<u>356,970,444</u>	<u>(4,337,594)</u>	<u>46.6</u>	<u>40.6</u>
US Mortgage-Backed Bonds	<u>16,058,517</u>	<u>15,906,197</u>	<u>(152,320)</u>	<u>2.1</u>	<u>1.8</u>
US Government-Backed Bonds	<u>346,347,064</u>	<u>340,777,323</u>	<u>(5,569,741)</u>	<u>44.5</u>	<u>38.8</u>
<b>Total Fixed Income</b>	<b><u>776,129,480</u></b>	<b><u>766,341,877</u></b>	<b><u>(9,787,603)</u></b>	<b><u>100.0</u></b>	<b><u>87.2</u></b>
BGI S&P 500 Equity Index	<u>68,406,676</u>	<u>100,545,339</u>	<u>32,138,662</u>		<u>11.4</u>
Direct Real Estate	<u>1,139,460</u>	<u>1,139,460</u>	<u>0.0</u>		<u>0.1</u>
Cash Equivalents (STIP)	<u>10,305,619</u>	<u>10,305,619</u>	<u>0.0</u>		<u>1.2</u>
<b>Total</b>	<b><u>855,981,236</u></b>	<b><u>878,332,295</u></b>	<b><u>22,351,059</u></b>		<b><u>100.0</u></b>

### **State Fund Insurance 2007 Total Rates of Return**

<u>Asset Type</u>	<u>% Return</u>	<u>Benchmarks</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
Cash Equivalents (STIP)	<u>5.47</u>	LIBOR 1 Month	<u>5.37</u>	<u>0.10</u>
Equities	<u>20.59</u>	S & P 500 Index	<u>20.59</u>	<u>0.00</u>
Fixed Income	<u>6.07</u>	LB Gov/Corp Intermediate	<u>5.76</u>	<u>0.31</u>
All Assets	<u>7.56</u>	Composite (1)	<u>7.27</u>	<u>0.29</u>

(1) An Index Composite paralleling the Fund's asset allocation at fair value

The State Fund earned \$37.3 million in investment income in 2007, compared to \$32.2 million in 2006. The State Fund portfolio is listed beginning on Page A-8 of Appendix A.

## OTHER INSURANCE FUNDS

**Old Workers - Compensation Fund** - pays claims for all injury claims occurring prior to July 1, 1990.  
**Group Insurance** - created in 1981, provides health and life insurance to non-university state employees.

**Subsequent Injury** - provides benefits to workers who are vocationally handicapped and whose Workers' Compensation benefits have expired.

**Hail Insurance** - insures crops from hail damage. The entire account is currently held in STIP.

Other insurance programs whose investments are held solely in STIP include:

<b>University Group Benefits.....</b>					\$29,063,004
<b>Uninsured Employers .....</b>					2,701,481
<b>Agency Insurance.....</b>					21,332,632
<b>Unemployment Insurance Benefits .....</b>					<u>4,968,120</u>
<b>Total .....</b>					<b>\$58,065,237</b>

### Other Insurance Annual Change At June 30

<u>Fund Type</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>2006 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% of Change</u>
Old Fund	41,922,168	43.0	52,016,448	52.4	(10,094,280)	(19.4)
Group Insurance	42,112,327	43.2	36,293,749	36.5	5,818,578	16.0
Hail Insurance	12,263,076	12.6	9,448,185	9.5	2,814,891	29.8
Subsequent Injury	<u>1,129,043</u>	<u>1.2</u>	<u>1,563,748</u>	<u>1.6</u>	<u>(434,705)</u>	<u>(27.8)</u>
<b>Total</b>	<b><u>97,426,614</u></b>	<b><u>100.0</u></b>	<b><u>99,322,131</u></b>	<b><u>100.0</u></b>	<b><u>(1,895,517)</u></b>	<b><u>(1.9)</u></b>
<b><u>Investment Type</u></b>						
Corporate Asset-Backed Bonds	5,377,729	5.5	6,304,106	6.3	(926,377)	(14.7)
Other Corporate Bonds	4,444,238	4.6	8,920,781	9.0	(4,476,543)	(50.2)
US Mortgage-Backed Bonds	1,185,000	1.2	1,694,255	1.7	(509,255)	(30.1)
US Government-Backed Bonds	<u>29,709,665</u>	<u>30.5</u>	<u>47,186,615</u>	<u>47.5</u>	<u>(17,476,950)</u>	<u>(37.0)</u>
<b>Total Fixed Income</b>	<b><u>40,716,631</u></b>	<b><u>41.8</u></b>	<b><u>64,105,757</u></b>	<b><u>64.5</u></b>	<b><u>(23,389,126)</u></b>	<b><u>(36.5)</u></b>
<b>Cash Equivalents (STIP)</b>	<b><u>56,709,983</u></b>	<b><u>58.2</u></b>	<b><u>35,216,374</u></b>	<b><u>35.5</u></b>	<b><u>21,493,609</u></b>	<b><u>61.0</u></b>
<b>Total</b>	<b><u>97,426,614</u></b>	<b><u>100.0</u></b>	<b><u>99,322,131</u></b>	<b><u>100.0</u></b>	<b><u>(1,895,517)</u></b>	<b><u>(1.9)</u></b>

**Other Insurance Book/Fair Values At June 30, 2007**

<b>Fund Type</b>	<b>Book \$ Value</b>	<b>Fair \$ Value</b>	<b>Fair \$ +/- Book</b>	<b>% of Book</b>	<b>% of Fair</b>
Old Fund	41,922,168	41,708,596	(213,572)	43.0	42.9
Group Insurance	42,112,327	42,090,508	(21,819)	43.2	43.3
Hail Insurance	12,263,076	12,263,076	0.0	12.6	12.6
Subsequent Injury	1,129,043	1,113,593	(15,450)	1.2	1.1
<b>Total</b>	<b>97,426,614</b>	<b>97,175,772</b>	<b>(250,842)</b>	<b>100.0</b>	<b>100.0</b>
<b>Investment Type</b>					
Corporate Asset-Backed Bonds	5,377,729	5,316,176	(61,553)	5.5	5.5
Other Corporate Bonds	4,444,238	4,410,647	(33,590)	4.6	4.5
US Mortgage-Backed Bonds	1,185,000	1,187,889	2,889	1.2	1.2
US Government-Backed Bonds	29,709,665	29,551,077	(158,588)	30.5	30.4
<b>Total Fixed Income</b>	<b>40,716,631</b>	<b>40,465,789</b>	<b>(250,842)</b>	<b>41.8</b>	<b>41.6</b>
Cash Equivalents (STIP)	56,709,983	56,709,983	0.0	58.2	58.4
<b>Total</b>	<b>97,426,614</b>	<b>97,175,772</b>	<b>(250,842)</b>	<b>100.0</b>	<b>100.0</b>

Other Insurance Portfolios are listed beginning on Page A-10 of Appendix A.

## TREASURER'S FUND

The Treasurer's Fund (Fund) is comprised of surplus cash in all state accounts that do not retain their investment earnings. All earnings are deposited in the state general fund. State law authorizes the Board to determine the amount of surplus cash in the Fund to be invested and the type of investments to be made. Invested balances at book value vary widely due to varying levels of excess cash in the state's general fund and other accounts comprising the Fund. This Fund has been a major investor in STIP since 1974 when STIP was created.

### **Treasurer's Fund Annual Change At June 30**

<u>Investment Type</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>2006 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% of Change</u>
US Bank Sweep Repo	18,255,027	2.0	18,642,905	2.4	(387,878)	(2.1)
US Government-Backed Bonds	149,136,968	16.5	208,662,606	27.4	(59,525,638)	(28.5)
Cash Equivalents (STIP)	<u>733,882,467</u>	<u>81.4</u>	<u>534,991,517</u>	<u>70.2</u>	<u>198,890,950</u>	<u>37.2</u>
Total	<b><u>901,274,462</u></b>	<b><u>100.0</u></b>	<b><u>762,297,028</u></b>	<b><u>100.0</u></b>	<b><u>138,977,434</u></b>	<b><u>18.2</u></b>

### **Treasurer's Fund Book/Fair Values At June 30, 2007**

<u>Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
US Bank Sweep Repo	18,255,027	18,255,027	0.0	2.0	2.0
US Government-Backed Bonds	149,136,968	148,539,275	(597,693)	16.5	16.5
Cash Equivalents (STIP)	<u>733,882,467</u>	<u>733,882,467</u>	<u>0.0</u>	<u>81.4</u>	<u>81.5</u>
Total	<b><u>901,274,462</u></b>	<b><u>900,676,769</u></b>	<b><u>(597,693)</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

### **Treasurer's Fund 2007 Total Rates of Return**

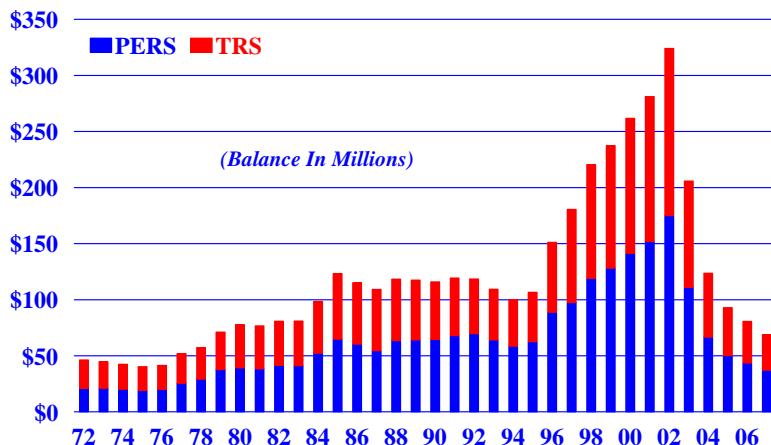
<u>Asset Type</u>	<u>% Return</u>	<u>Benchmarks</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
Cash Equivalents (STIP)	<u>5.46</u>	LIBOR 1 Month	5.37	0.09
Fixed Income	<u>5.59</u>	ML US Treasury 1-3 Yrs.	5.07	0.52
All Assets	<b><u>5.53</u></b>			

The Treasurer's Fund earned \$34.0 million in investment income in 2007, compared to \$18.6 million in 2006. The Treasurer's Fund Portfolio is listed beginning on Page A-6 of Appendix A. The Treasurer's Fund invested balance and income history are shown on Page A-23 of Appendix A.

## MONTANA RESIDENTIAL MORTGAGES

### Pension Mortgages History

Outstanding Principal At Year-End



The Board invests pension funds in Montana mortgages by purchasing all or a portion of mortgages from qualified financial institutions. Interest rates are set weekly, based on quotes from the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, the two major US secondary mortgage markets. Financial institutions charge a fee for servicing the loans. The number and location of mortgages purchased by the Board depend upon the mortgage lending activities of individual financial institutions and their interest in the Board's mortgage program.

### Montana Mortgages By Type Annual Change At June 30

Mortgage Type	2007 Book Value	% Of Total	2006 Book Value	% Of Total	\$ Change	% Change
Residential Conventional	46,692,666	67.8	56,116,544	69.5	(9,423,878)	(16.8)
Residential FHA	19,651,508	28.5	21,823,692	27.0	(2,172,184)	(10.0)
Residential VA	2,505,805	3.6	2,828,242	3.5	(322,437)	(11.4)
Multi-Family Conventional	0	0.0	0	0.0	0	N/A
<b>Total Mortgages</b>	<b>68,837,530</b>	<b>100.0</b>	<b>80,750,504</b>	<b>100.0</b>	<b>(11,912,974)</b>	<b>(14.8)</b>

Mortgage rates on the secondary market declined to less than 6 percent during 2003 and the Board chose not to purchase mortgages for the pension funds at these rates. This policy, combined with heavy refinancings of mortgages in the portfolio has caused a significant drop in the pension mortgage portfolio since 2003.

**Loan Losses/Arrears** - Pension Mortgage loans in arrears 90 days or more, increased from .40 percent of total mortgage holdings at year-end 2006 to .57 percent of mortgage holdings at year-end 2007. These arrears ratios compare to .55 percent and .72 percent respectively for Montana\* financial institutions during the period. The number of properties in foreclosure decreased from one at year-end 2006 to zero at year-end 2007. All mortgages are secured by single-family residential or multi-family residential properties in Montana.

\*Source: Total FDIC Past Due and Non Accrual as of 3-31-07

**Residential Mortgage Balances By County Annual Change At June 30**

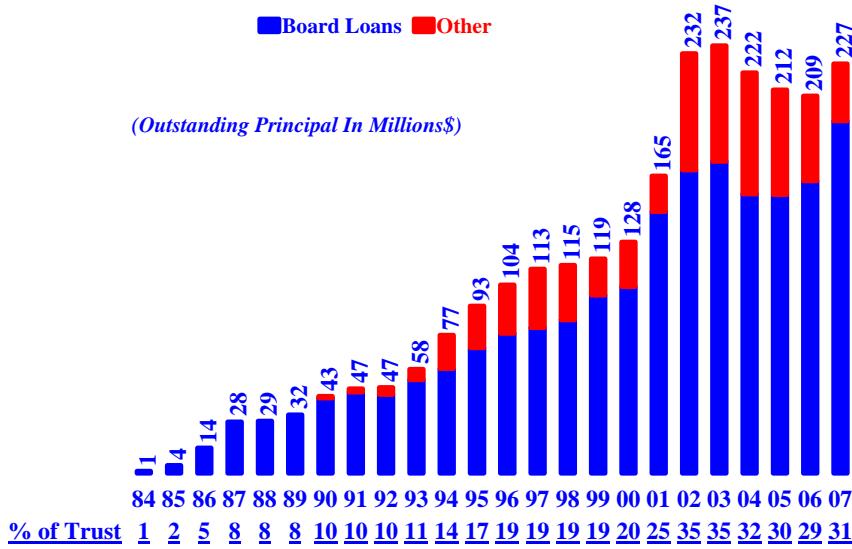
<u>County</u>	<u>2007 Balance</u>	<u>% Of Total</u>	<u>2006 Balance</u>	<u>% Of Total</u>	<u>06-07 \$ Change</u>	<u>2006 Loans</u>	<u>2006 Loans</u>	<u>06 - 07 Change</u>
Yellowstone	23,676,611	34.4	28,294,899	35.0	(4,618,288)	414	474	(60)
Gallatin	7,425,463	10.8	8,983,593	11.1	(1,558,129)	113	131	(18)
Flathead	4,021,761	5.8	4,795,307	5.9	(773,545)	66	78	(12)
Lake	3,677,695	5.3	4,234,305	5.2	(556,610)	62	69	(7)
Custer	2,831,963	4.1	3,480,196	4.3	(648,233)	80	92	(12)
Richland	2,828,760	4.1	3,143,205	3.9	(314,445)	57	62	(5)
Stillwater	2,720,186	4.0	3,449,515	4.3	(729,329)	48	55	(7)
Cascade	2,514,550	3.7	3,208,746	4.0	(694,196)	53	66	(13)
Roosevelt	1,793,215	2.6	1,660,973	2.1	132,242	43	40	3
Blaine	1,788,141	2.6	1,225,345	1.5	562,796	23	31	(8)
Sanders	1,616,448	2.3	1,740,802	2.2	(124,354)	26	25	1
Hill	1,507,989	2.2	1,622,751	2.0	(114,762)	30	34	(4)
Carbon	1,385,398	2.0	1,586,377	2.0	(200,979)	23	25	(2)
Valley	1,223,371	1.8	1,349,341	1.7	(125,970)	31	34	(3)
Park	1,082,534	1.6	1,742,403	2.2	(659,869)	24	33	(9)
Phillips	930,057	1.4	962,878	1.2	(32,821)	18	20	(2)
Missoula	769,931	1.1	802,901	1.0	(32,970)	14	17	(3)
Dawson	764,489	1.1	1,072,190	1.3	(307,702)	24	33	(9)
Beaverhead	656,492	1.0	832,600	1.0	(176,108)	13	15	(2)
Fallon	653,843	0.9	598,332	0.7	55,511	12	11	1
Madison	499,573	0.7	523,389	0.6	(23,816)	4	13	(9)
Rosebud	444,405	0.6	524,107	0.6	(79,702)	12	5	7
Broadwater	433,957	0.6	506,093	0.6	(72,136)	13	5	8
Lewis & Clark	427,604	0.6	501,588	0.6	(73,983)	13	14	(1)
Bighorn	360,421	0.5	433,149	0.5	(72,728)	8	9	(1)
Jefferson	343,951	0.5	369,080	0.5	(25,130)	5	9	(4)
Chouteau	343,367	0.5	423,334	0.5	(79,966)	7	9	(2)
Fergus	337,129	0.5	500,043	0.6	(162,914)	6	15	(9)
Silver Bow	279,181	0.4	298,842	0.4	(19,661)	7	5	2
Ravalli	260,463	0.4	307,729	0.4	(47,267)	5	6	(1)
Glacier	151,330	0.2	218,899	0.3	(67,569)	3	7	(4)
Pondera	120,338	0.2	122,627	0.2	(2,289)	2	7	(5)
Sheridan	103,678	0.2	130,811	0.2	(27,132)	6	3	3
Teton	103,369	0.2	42,345	0.1	61,024	3	1	2
Deer Lodge	101,550	0.1	106,913	0.1	(5,363)	3	3	0
Sweet Grass	96,136	0.1	107,378	0.1	(11,242)	3	3	0
McCone	82,041	0.1	89,427	0.1	(7,386)	3	2	1
Mineral	75,368	0.1	79,345	0.1	(3,977)	1	3	(2)
Powell	73,064	0.1	140,852	0.2	(67,788)	2	4	(2)
Wheatland	66,008	0.1	92,591	0.1	(26,583)	1	3	(2)
Prairie	61,103	0.1	65,561	0.1	(4,459)	2	1	1
Musselshell	52,273	0.1	53,573	0.1	(1,301)	1	1	0
Judith Basin	49,053	0.1	50,117	0.1	(1,064)	1	2	(1)
Carter	48,444	0.1	53,168	0.1	(4,724)	2	1	1
Golden Valley	24,195	0.0	35,859	0.0	(11,664)	1	1	0
Powder River	19,848	0.0	22,947	0.0	(3,098)	1	1	0
Wibaux	15,214	0.0	18,979	0.0	(3,765)	1	1	0
Toole	8,021	0.0	11,145	0.0	(3,124)	1	1	0
Daniels	0	0.0	54,480	0.1	(54,480)	0	2	(2)
Lincoln	0	0.0	41,149	0.1	(41,149)	0	2	(2)
Granite	0	0.0	34,311	0.0	(34,311)	0	1	(1)
Garfield	0	0.0	21,989	0.0	(21,989)	0	1	(1)
Total	68,837,530	100.0	80,750,504	100.0	(11,912,974)	1,291	1,486	(195)

## COAL TAX TRUST LOANS

### Coal Tax Trust Loans

█ Board Loans   █ Other

*(Outstanding Principal In Millions\$)*



% of Trust 1 2 5 8 8 10 10 10 11 14 17 19 19 19 20 25 35 35 32 30 29 31

Created in 1984 as part of the "Build Montana" program, this program invests Coal Tax Trust funds in Montana to stimulate the state's economy. State law authorizes the Board to invest the Trust to increase employment and business opportunities, while maintaining and improving the state's physical environment. The "other" portion of the graph is comprised of these loans:

DNRC - \$11.6 Million  
Science & Tech - 13.1 Million  
Dep. of Justice - 2.3 Million  
Facilities Finance - \$4.6 Million

#### Loan Types – Four different loan

types are available in the In-State Investment Program, some of which offer a job credit interest rate reduction equal to 0.05 percent for each job created, up to a maximum reduction of 2.5 percent.

**The Commercial Loan Participation Program** purchases from originating financial institutions up to 80 percent of a participation loan. Unencumbered land, buildings, and equipment may be financed with the loan proceeds. The financial institutions charge a fee to service the loan and the Board's loan is collateralized proportionally to the Board's share of the loan. At year-end 2007, this Program had \$156.8 million in loan principal outstanding.

**The Infrastructure Loan Program** provides loans to eligible local governments for constructing infrastructure required by job creating businesses in their jurisdiction. At year-end 2007, this Program had \$18.9 million in loan principal outstanding. Total loans outstanding in this Program are limited by law to \$80.0 million.

**The Value-added Loan Program** provides low interest loans to value-added type businesses that create or retain jobs. At year-end 2007, this Program had \$17.8 million in loan principal outstanding. Total loans outstanding in this Program are limited by law to \$70.0 million.

**The Intermediary Re-lending Program** provides loans to local economic development organizations with revolving loan programs. At year-end 2007, this Program had \$1.7 million in loan principal outstanding. Individual loans may not exceed \$500,000 and total loans outstanding in this Program are limited by law to \$5.0 million.

**Loan Yield** - On June 30, 2007, the average weighted yield of all outstanding loans, excluding Value-Added and IRP loans whose interest rates are set by law, was 5.65 percent.

**Loans From Inception By County Annual Change At June 30**

County	Through 2007	% Of Total	Through 2006	% Of Total	06-07 \$ Increase	2007 <# Loans>	2006	06-07 Inc
Missoula	115,965,210	20.6	86,780,482	17.2	29,184,728	218	211	7
Gallatin	82,178,070	14.6	76,720,857	15.2	5,457,213	119	115	4
Yellowstone	75,699,743	13.4	67,969,162	13.5	7,730,581	135	126	9
Cascade	48,206,927	8.6	45,809,670	9.1	2,397,257	49	48	1
Flathead	46,709,790	8.3	40,998,792	8.1	5,710,998	86	82	4
Lewis & Clark	44,579,628	7.9	40,707,453	8.1	3,872,175	93	89	4
Park	22,503,729	4.0	17,260,860	3.4	5,242,869	29	26	3
Lake	19,432,991	3.4	19,432,991	3.9	0	90	90	0
Ravalli	14,987,006	2.7	14,987,006	3.0	0	46	46	0
Madison	13,713,554	2.4	13,713,554	2.7	0	70	70	0
Beaverhead	11,150,710	2.0	11,150,710	2.2	0	30	30	0
Silver Bow	9,984,183	1.8	10,098,318	2.0	(114,135)	9	10	(1)
Stillwater	9,289,630	1.6	9,289,630	1.8	0	49	49	0
Blaine	5,955,325	1.1	5,955,325	1.2	0	34	34	0
Richland	3,580,953	0.6	3,580,953	0.7	0	26	26	0
Roosevelt	3,204,652	0.6	3,114,353	0.6	90,299	8	8	0
Rosebud	3,162,078	0.6	3,162,078	0.6	0	2	2	0
Carbon	3,154,586	0.6	3,077,336	0.6	77,250	13	13	0
Phillips	3,097,177	0.5	2,876,459	0.6	220,718	5	4	1
Jefferson	2,863,980	0.5	2,863,980	0.6	0	12	12	0
Sanders	2,721,699	0.5	2,721,699	0.5	0	9	9	0
Valley	2,308,767	0.4	1,906,399	0.4	402,368	17	15	2
Custer	1,960,399	0.3	1,960,399	0.4	0	3	3	0
Lincoln	1,923,608	0.3	1,923,608	0.4	0	6	6	0
Choteau	1,701,998	0.3	1,701,998	0.3	0	4	4	0
Mineral	1,611,093	0.3	1,611,093	0.3	0	3	3	0
Granite	1,524,095	0.3	1,524,095	0.3	0	6	6	0
Hill	1,511,297	0.3	1,511,297	0.3	0	9	9	0
Meagher	1,424,517	0.3	1,424,517	0.3	0	5	5	0
Fergus	1,219,955	0.2	1,219,955	0.2	0	2	2	0
Dawson	874,285	0.2	874,285	0.2	0	1	1	0
Pondera	782,199	0.1	653,380	0.1	128,819	3	2	1
Sweet Grass	751,737	0.1	751,737	0.1	0	3	3	0
Bighorn	676,400	0.1	676,400	0.1	0	3	3	0
Powell	616,500	0.1	616,500	0.1	0	1	1	0
Toole	492,707	0.1	492,707	0.1	0	1	1	0
Fallon	476,429	0.1	476,429	0.1	0	2	2	0
Broadwater	463,199	0.1	463,199	0.1	0	3	3	0
Liberty	455,439	0.1	455,439	0.1	0	3	3	0
McCone	295,148	0.1	295,148	0.1	0	3	3	0
Musselshell	163,000	0.0	163,000	0.0	0	1	1	0
Daniels	121,637	0.0	0	0.0	121,637	1	0	1
Wibaux	90,000	0.0	90,000	0.0	0	1	1	0
Powder River	57,105	0.0	57,105	0.0	0	1	1	0
Total	563,643,134	100.0	503,120,357	100.0	60,522,777	1,214	1,178	36

### Commercial Loan By Sector Annual Change At June 30

<u>Investment Type</u>	<u>2007 Book Value</u>	<u>% Of Total</u>	<u>2006 Book Value</u>	<u>% Of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Service Industry	192,632,806	34.2	174,905,754	34.8	17,727,052	10.1
Finance/Insurance/Real Estate	99,575,811	17.7	96,818,953	19.2	2,756,859	2.8
Retail Trade	88,494,501	15.7	83,811,551	16.7	4,682,950	5.6
Manufacturing	79,244,232	14.1	66,717,581	13.3	12,526,651	18.8
Agriculture/Forestry/Fishing	61,621,805	10.9	54,427,359	10.8	7,194,446	13.2
Wholesale Trade	10,940,615	1.9	8,986,679	1.8	1,953,936	21.7
Transportation/Utilities/Comm.	20,815,516	3.7	7,664,904	1.5	13,150,612	171.6
Construction	7,370,836	1.3	6,840,566	1.4	530,270	7.8
Mining	<u>2,947,010</u>	<u>0.5</u>	<u>2,947,010</u>	<u>0.6</u>	<u>0</u>	<u>0.0</u>
Total	<b>563,643,134</b>	<b>100.0</b>	<b>503,120,357</b>	<b>100.0</b>	<b>60,522,777</b>	<b>12.0</b>

**Loan Losses/Arrears** - The number of loans in this program in arrears 90 days or more decreased from 0.23 percent of total outstanding loans at year-end 2006 to zero percent of outstanding loans at year-end 2007. These arrears ratios compare to .42 percent and .98 percent, respectively for Montana financial institutions during that period \*. There were no losses in 2006 or 2007.

\*Source: Total FDIC Past Due and Non Accrual as of 3-31-07

In addition to the Coal Tax Loan Program and the Residential Mortgage Programs, the Board also invests other state funds in Montana and guarantees bonds as shown in the table below:

### Instate Loans and Other In-State Investments

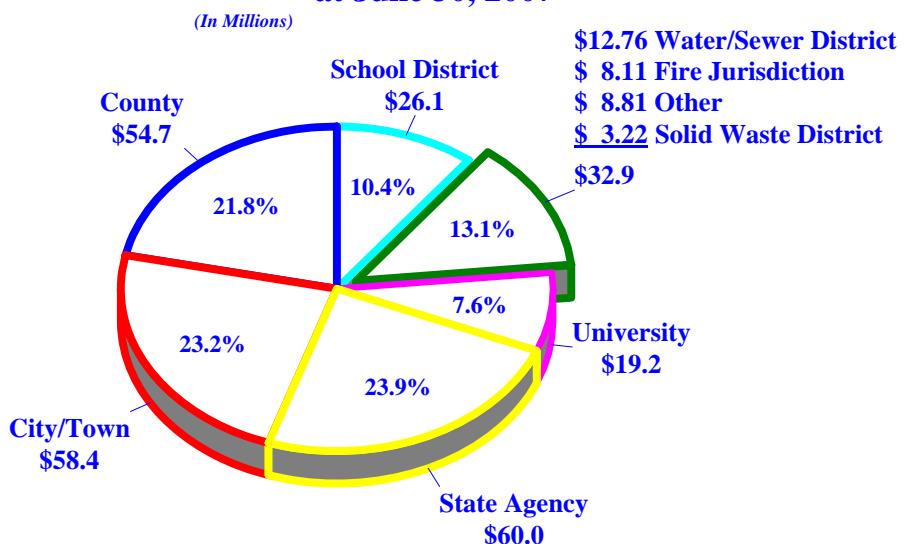
<u>Loan Type</u>	<u>2007 \$ Book Value</u>	<u>2006 \$ Book Value</u>	<u>\$ Change</u>
Commercial Loans	156,848,901	144,273,087	12,575,814
Residential Mortgages	68,837,530	80,750,504	(11,912,974)
School Trust Loan	11,573,605	31,047,064	(19,473,459)
Equity Real Estate	17,969,852	16,477,350	1,492,502
Montana Science and Technology	13,089,151	13,865,733	(776,582)
Value-Added Loans	17,760,734	9,191,738	8,568,996
Infrastructure Loans	18,859,692	7,465,725	11,393,967
Department of Justice Loan	2,317,000	2,112,000	205,000
Facility Finance Authority Loans	4,615,196	14,476	4,600,720
Intermediary Loan Program	<u>1,702,895</u>	<u>958,832</u>	<u>744,063</u>
<b>Total In-State Loans</b>	<b>313,574,555</b>	<b>306,156,508</b>	<b>7,418,047</b>
PPL Montana	40,855,423	43,209,386	(2,353,963)
Med Map LLC (St. Vincent's Hospital, Billings)	22,330,000	22,735,000	(405,000)
First Interstate BancSystem, Montana	0	4,600,000	(4,600,000)
Montana CRP Bonds (42 issues)	2,287,149	2,656,472	(369,323)
Board of Housing	<u>1,130,000</u>	<u>1,135,000</u>	<u>(5,000)</u>
<b>Total State, Local Gvt and Corporate Bonds</b>	<b>66,602,572</b>	<b>74,335,858</b>	<b>(7,733,286)</b>
<b>Total Loans and Bonds</b>	<b>380,177,128</b>	<b>380,492,367</b>	<b>(315,239)</b>
<b>Bond Guarantees (1)</b>	<b>186,630,336</b>	<b>131,280,309</b>	<b>55,350,027</b>

(1) Guarantees of INTERCAP and Montana Facility Finance Authority Bonds

## BOND PROGRAMS

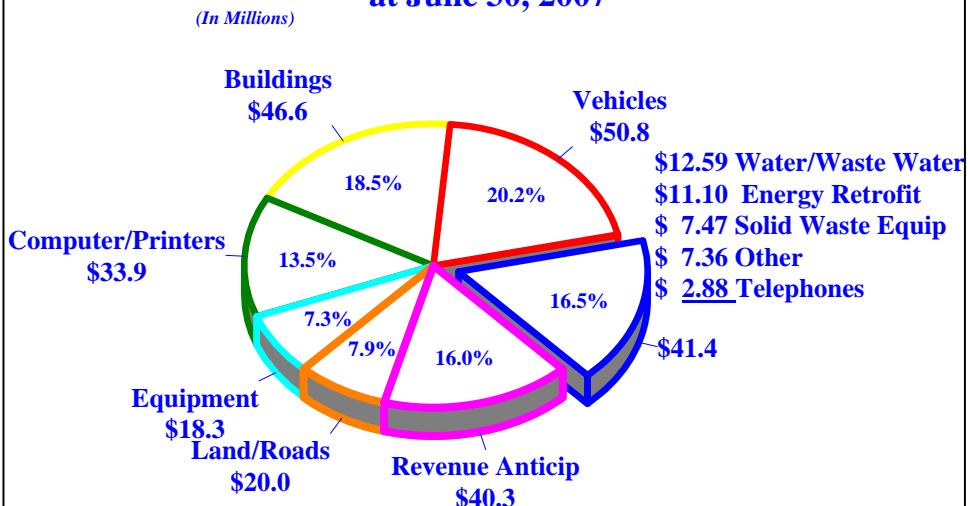
### INTERCAP Loans

**From Inception By Borrower Type \$251.35 Million at June 30, 2007**



### INTERCAP Loans

**From Inception By Project Type \$251.35 Million at June 30, 2007**



**INTERCAP** - The Board administers several bond programs under the Montana Economic Development Bond and the Municipal Finance Consolidation Acts, created as part of the "Build Montana" program in 1984.

The INTERCAP program lends funds to eligible governments for a variety of purposes. The upper graph depicts the types of borrowers using the program since its inception. Since 1987, 423 eligible governments have received 1,207 loans, totaling \$251.35 million.

The lower graph shows the types of projects for which loans were made since program inception. At June 30, 2007, there was \$66.92 million in outstanding loan balances.

INTERCAP loans are funded with proceeds from bonds issued by the Board. Since the program's inception, the Board has issued \$124 million in bonds with \$98.46 million outstanding at June 30, 2007.

Loan interest rates, which are reset each February 16 based on the interest on the bonds funding the loans, were set at 4.85 percent on February 16, 2007.

Other bond programs managed by the Board are:

- ***School District Pooled Refunding Program***

In 1991 the Board purchased general obligation refunding bonds of participating school districts, enabling the districts to refinance their outstanding bonds at a lower interest rate. The 16 school districts participating in this \$6.234 million bond issue saved a total of \$577,600 in interest over the life of the refunding bonds. These bonds matured in January 2005. Although this Program is inactive, it could be re-activated given sufficient demand.

- ***Pooled Irrigation Program***

Five irrigation districts participated in this Program that prepaid their outstanding loans to the federal Bureau of Reclamation. The Board issued bonds of \$4.976 million in 1988 to prepay \$15.6 million of non-interest bearing federal loans held by the districts. The Board lent the bond proceeds to the districts at an average 7.20 percent interest. Although the districts paid off non-interest federal loans with interest bearing loans, they saved a total of \$5.9 million, because the federal loans were prepaid at steep discounts, thereby significantly lowering the amount of principal owed by the districts.

- ***Qualified Zone Academy Bond Program (QZAB)***

This program allows qualifying school districts to borrow money at no or nominal interest rates by issuing qualified zone academy bonds. Bonds outstanding as of June 30 are listed below:

<u>Project</u>	<u>Issue Date</u>	<u>Issue Amount</u>	<u>6/30/2007 Balance</u>
Huntley Project Schools	12/01/00	750,000	750,000
Bozeman Public Schools	11/25/03	1,586,000	1,586,000
Philipsburg Schools	12/10/03	2,000,000	2,000,000
Cut Bank Elementary	08/18/05	825,000	825,000
Cut Bank High School	08/18/05	625,000	625,000
Bozeman Public Schools	12/21/06	<u>1,459,250</u>	<u>1,459,250</u>
<b>Total</b>		<b><u>7,245,250</u></b>	<b><u>7,245,250</u></b>

## **Economic Development Bond Act**

- ***Stand Alone Economic Development Bond Program***

This Program provides qualifying businesses access to tax-exempt funds and the Board has issued bonds to finance several projects. The Board acts as a legal funding conduit only and is not pecuniarily liable for the repayment of the bonds. Bonds outstanding as of June 30 are listed below:

<u>Project</u>	<u>Issue Date</u>	<u>Issue Amount</u>	<u>6/30/2007 Balance</u>
Colstrip	10/01/89	60,800,000	48,100,000
BGI	07/01/93	118,345,000	113,145,000
Stillwater Mining	07/01/00	30,000,000	30,000,000
Gainey Foundation	10/01/02	<u>6,000,000</u>	<u>4,245,000</u>
<b>Total</b>		<b><u>215,145,000</u></b>	<b><u>195,490,000</u></b>

***Montana Conservation Reserve Payment (CRP) Enhancement Program***

This Program provides loans to Montana farmers to refinance outstanding loans and/or to purchase additional land and farm equipment. The borrowers assign their federal CRP contracts to the Board in exchange for a loan ranging from 60 percent to 75 percent of the remaining payments on the CRP contracts. When the Program began, bonds were issued to provide funding for the loans. Currently, the loans are funded from the Trust Funds Bond Pool as an investment. Loan interest rates are typically set at 0.50 higher than the interest set by the Trust Funds Bond Pool manager. A total of 247 loans, totaling \$32.92 million have been funded under this Program.

***• Pooled Economic Development Bond Program***

This Program, inactive since 1986 due to federal tax law revisions, provided loans to small businesses to expand and improve their facilities. The Board funded the loans by issuing tax-exempt bonds. Except for a pledge of revenues and a guaranty fund, the Board has no pecuniary liability under this Program. The last outstanding loan was paid off in May 2006. The bonds issued to fund the loans have been repaid.

The Bond Program financial statements begin on Page B-64 in Appendix B.

## Appendix A - Total Income By Fund FY07

<b>Account Description</b>	<b>Investment Income</b>	<b>Pool Distributions</b>						<b>MTRP</b>	<b>Total</b>
		<b>STIP</b>	<b>MDEP</b>	<b>MTIP</b>	<b>MPEP</b>	<b>RFBP</b>	<b>TFBP</b>		
PERS - DB	84,637,362	6,345,315	13,870,772	12,915,540	4,811,999	57,829,354		1,533,218	181,943,561
Teachers Retirement	63,189,732	4,702,916	10,726,142	9,932,062	3,668,413	44,556,027		1,182,933	137,958,226
STIP Local Government		39,419,772							39,419,772
New Fund	36,309,596	976,598							37,286,194
General Fund	7,091,670	26,859,777							33,951,447
Coal Severance Tax In	12,794,856	1,377,622				17,616,328			31,788,806
Trust And Legacy		267,653				26,206,838			26,474,491
UCFRB Restoration Fun	693,984	397,070				8,313,951			9,405,005
TSEF Income Fund	334,770	725,727				8,101,840			9,162,338
State Policemen Reser	2,965,757	406,783	692,739	627,873	238,835	2,913,261		77,671	7,922,919
Firefighters Unified	2,914,481	357,074	659,728	597,331	227,037	2,803,626		71,809	7,631,086
Sheriffs Retirement A	2,086,192	380,024	663,027	599,779	225,297	2,837,900		72,808	6,865,027
RITT Income Fund		22,629				6,197,611			6,220,240
Highway Patrol Retire	2,307,714	144,050	350,384	323,735	122,357	1,536,694		38,584	4,823,519
SST/OU Remedial Actio	1,005,420	262,980				3,420,441			4,688,841
Tobacco Settlement In		52,144				4,156,124			4,208,268
Tobacco Hlth and Medi		2,832,993							2,832,993
Retirement Funds Bond Pool		2,701,303							2,701,303
Montana Judges Retire	987,287	104,731	209,260	191,949	72,237	908,062		23,112	2,496,638
Game Wardens Retireme	679,897	152,780	241,155	221,775	82,008	1,029,207		26,718	2,433,540
Highway 93 Bond Proce	984,110	1,371,543							2,355,653
Old State Fund	1,903,913	354,628							2,258,541
Montana Real Estate Pool		2,118,081							2,118,081
TSEF Region Water Inc		206,472				1,772,345			1,978,817
Trust Funds Bond Pool		1,938,287							1,938,287
Group Benefits Claims	623,177	1,186,783							1,809,960
General License	290,206	1,466,486							1,756,691
MSU Designated Funds		1,135,783				579,945			1,715,728
MT Oil & Gas Tax Clea		1,637,361							1,637,361
Montana Pole Remedial	144,405	440,376				1,038,702			1,623,483
Big Sky Economic Dev.		32,775				1,526,434			1,559,210
MUS Group Insurance P		1,517,681							1,517,681
UM-MSO Unrestricted O		1,193,546				190,892			1,384,438
Agency Insurance Int.		1,266,862							1,266,862
Volunteer Firefighter	575,976	47,970	90,135	85,426	31,377	385,096		9,685	1,225,665
Long Range Building P		1,103,298							1,103,298
Coal Tax-FWP Trust		21,370				1,034,060			1,055,431
UCFRB Assess/Litig. C		2,350				1,004,149			1,006,499
2006A LRBp 20 - Year		952,042							952,042
MSU Auxiliary Funds		652,133				229,535			881,668
Wildlife Habitat		776,611							776,611
UM-MSO Renewal & Repl		764,366							764,366
Common School Permane		733,360							733,360
MSU General Operating		656,254				(18,169)			638,084
UM-MSO Auxiliary Ente		610,482							610,482
Oil & Gas ERA		577,715							577,715
Wildlife Mitigation T	388,768	174,566							563,334
Hail Insurance		560,358							560,358
Cultural Trust		3,130				512,569			515,699
Zortman/Landusky Long	506,455	3,588							510,044
MSU Renewal & Replace		421,846				65,123			486,969
Real Property Trust-W	27,497	27,419				378,192			433,108
MSU Retirmnt of Indeb		402,769							402,769
MSU-Billings Designat		386,498							386,498
Orphan Share Fund		383,921							383,921
Employment Security A		356,430							356,430
Guaranteed Stdt. Loan		346,412							346,412
HUD Section 8 Housing		302,869							302,869
Real Property Trust	24,384	18,040				245,564			287,988
Reclamation - OSM Tru	185,338	95,934							281,272
UM-TECH Unrestricted		280,624							280,624
MSU-B1gs Renewal & Re		270,819							270,819
CST Bond Unrestrict.		257,853							257,853
U.S. Dept Ed / GSL Re		249,737							249,737
MUS Self-Funded Worke		246,700							246,700
COMMON SCHOOL TR		242,614							242,614
NOXIOUS WEED TRUST	157,730	74,041				5,201			236,973
UM-MSO Designated		173,686				44,207			217,893
MSU -AG Genl Operatin		214,294							214,294
Elections Federal Gra		207,521							207,521
GO SBP Debt Service		200,186							200,186
UM-MSO Restricted		198,215							198,215
Sec of St Business Se		196,073							196,073
Research & Commercial		180,032							180,032
State Lottery Fund		178,069							178,069
Coal Bed Methane Prot		177,124							177,124

## Appendix A - Total Income By Fund FY07

<b>Account Description</b>	<b>Investment Income</b>	<b>Pool Distributions</b>				<b>MTRP</b>	<b>Total</b>
		<b>STIP</b>	<b>MDEP</b>	<b>MTIP</b>	<b>MPEP</b>		
Water Adjudication	173,066						173,066
MSU Unexpended Plant	172,438						172,438
MSU-Billings Auxiliar	168,507						168,507
2006A LRBP 10 - Year	162,199						162,199
UM-MSO Agency	156,843					18	156,861
Market Based Combo Sa	152,225						152,225
Upland Game Bird Habi	151,470						151,470
MSU Loan Funds	148,904						148,904
Wheat & Barley Resear	142,579						142,579
Hard Rock Mining Recl	141,901						141,901
Milltown Restoration	137,947						137,947
Uninsured Employer Fu	122,131						122,131
Z/L Long Term H2O Tru	105,063	15,579				1,591	120,642
MSU Restricted Funds	116,032						117,623
C R Kendall Bond Forf	112,600						112,600
MSU-Blgs Genl Operati	110,000						110,000
Inspection and Contro	108,204						108,204
GO Bond Debt Ser-Rene	107,651						107,651
CST 2001D Refunding D	107,550						107,550
UM-Wstern Unrestrict	107,303						107,303
Lvstk Per Capita	104,005						104,005
UM-MSO Endowments	7,042	7,293				89,643	103,978
Facilities Finance Au	96,487						96,487
UM-MSO Student Loans	90,241						90,241
Microbusiness Admin A	87,413						87,413
MSU-EXT Designated Fu	87,169						87,169
MSU-GCOTUnexpended Pl	85,364						85,364
UM-TECH Unexpended Pl	85,320						85,320
OSM Trust Fund - Coal	83,351						83,351
SEC 8 Project Based	81,174						81,174
Noxious Weed Admin Ac	80,036						80,036
UM-TECH Renewal & Rep	76,148						76,148
Habitat Trust Interes	75,668						75,668
UM-HCOT Unrestricted	73,196						73,196
Fisheries Mit Trust F	72,480						72,480
PERS - DB Education	68,971						68,971
MSU-GCOT Designated F	65,113						65,113
BVSL Special Revenue	62,303						62,303
Subsequent Injury-Tr	50,079	11,917					61,995
Alternative Energy Re	60,217						60,217
Energy Conservation:	55,743						55,743
Petroleum Storage Tan	55,083						55,083
FY06 CERCLA Bond Proc	52,413						52,413
Mountain Sheep Accoun	51,804						51,804
Warm Water Fish Stamp	51,342						51,342
State Lands Res Dev	50,585						50,585
MSU-Blg Unexpended Pl	49,736						49,736
River Restoration Acc	49,054						49,054
State Land Bank	48,175						48,175
Housing Trust Fund	47,010						47,010
Highways Special Reve	46,116						46,116
Waterfowl Stamp Spec.	41,648						41,648
CST 2003A Taxex Debt	40,341						40,341
UM-Western Aux Enterp	40,336						40,336
Pegasus Bankruptcy/Op	40,090						40,090
Pesticide Groundwater	38,558						38,558
UM-TECH Restricted	16,131				22,269		38,400
MSU-AG Restricted Fun	24,653				13,691		38,343
Unlocated Mineral Own	37,912						37,912
CST 04A Refund Debt S	37,502						37,502
Cashed Plan II Securi	36,054						36,054
MSU-GCOT Genl Operati	35,713						35,713
Rural Physicians Acco	34,709						34,709
UM-HCOT Unexpended Pl	34,052						34,052
Montana Land Informat	32,865						32,865
Broadwater Irrigation	32,616						32,616
Water Storage St Sp R	31,429						31,429
PERs-DC Disability	29,373						29,373
FY05 CERCLA Bond Proc	28,911						28,911
MSU-EXT Genl Operatin	28,638						28,638
PERS - DC Administrat	28,447						28,447
Real Estate Recovery	27,957						27,957
Leg Branch Reserve Ac	27,899						27,899
BOH Financial Program	27,856						27,856
MSU-Nrthern Genl Oper	26,977						26,977
Real Estate Trust Ear	26,626						26,626

**Appendix A - Total Income By Fund FY07**

<b>Account Description</b>	<b>Investment Income</b>	<b>STIP</b>	<b>MDEP</b>	<b>MTIP</b>	<b>Pool Distributions MPEP</b>	<b>RFBP</b>	<b>TFBP</b>	<b>MTRP</b>	<b>Total</b>
Coal Tax Trust Accoun	26,501								26,501
BLACKFEET MITIGATION	26,498								26,498
Justice Assistance Gr	26,299								26,299
Montana Heritage Comm	25,035								25,035
Energy Conservation:	24,929								24,929
UM-Western Renew & Re	24,615								24,615
Special Law Enforceme	23,611								23,611
UM-TECH Student Loans	18,507	840					4,052		23,399
Treasure State Endowm	23,228								23,228
Rural Develop & Rehab	22,215								22,215
Zortman Recl-Last (1,	22,077								22,077
Acc. Cty Sick/Vacatio	21,882								21,882
Pesticide Account	21,664								21,664
GO Bond Loan Loss Res	21,332								21,332
Seven-Up Pete Interes	20,967								20,967
457 Plan - Administra	20,916								20,916
Industrial Revenue Bo	20,833								20,833
Flexible Spending Fun	20,049								20,049
Big Horn Limestone Bo	19,915								19,915
Luttrill Pit - Oper &	19,494								19,494
MSU-Billings Loan Fun	19,002								19,002
Wildlife Mit Trust Fn	18,608								18,608
UM-Western Unexpended	18,367								18,367
Cashed Plan I Securit	18,082								18,082
Rail Construction Tru	18,007								18,007
MSU-AG Designated Fun	16,294								16,294
Charles Bair Trust	2,843	1,498					10,492		14,833
MSU-GCOT Auxiliary Fu	14,096								14,096
MSU Endowment Funds	1,548						12,259		13,806
Produce Account	13,569								13,569
HFA Loan Program	13,542								13,542
Landusky Recl-Last (1	13,399								13,399
Moore-Sipple Connecto	12,685								12,685
Environmental Rehab &	12,406								12,406
Commercial Feed	11,082								11,082
Gear Up Trio Scholars	10,963								10,963
2003A LRBp Bonds	10,820								10,820
Juvenile Accountabili	10,590								10,590
Thomas Teakle Trust F	740	1,919					7,805		10,464
Pegasus - Beal Mounta	10,313								10,313
Oil & Gas Damage Miti	10,307								10,307
James H. Bradley Memo	682	2,339					7,237		10,258
OSM Trust Fund - Acid	9,892								9,892
Off Hwy Vehicle Acct	9,552								9,552
Fishing Access Site M	9,463								9,463
Search & Rescue	9,199								9,199
Pegasus - Basin	8,748								8,748
Montana State Library	8,387								8,387
MSU Agency Funds	8,360								8,360
Gear Up Essay Scholar	8,315								8,315
Foster child trust	7,837								7,837
UM-Western Student Lo	7,632								7,632
Environmental Quality	7,615								7,615
UM-Western Designated	7,609								7,609
EDA Revolving Loan Fu	7,076								7,076
MSU-AG Unexpended Pla	6,967								6,967
MSU-FIRE Designated F	6,634								6,634
Enhanced 9-1-1 Emerg	6,579								6,579
2005B LRBp Bonds	6,573								6,573
Off-Highway Vehicle F	6,253								6,253
1999C LRBp Bond	6,028								6,028
VC National Park Srvc	5,935								5,935
MSU-GCOT Restricted F	5,858								5,858
Montana Pole-Miners B	5,677								5,677
Sobotka Memorial Trus							5,669		5,669
UM-TECH Designated	5,601								5,601
Stewart Trust Fund	573						4,775		5,349
MFWP Visitor Services	5,200								5,200
MSU-AG Renewal & Repl	5,044								5,044
96 Section	4,744								4,744
UM-Forest Exper Stn U	4,628								4,628
CST 04B Debt Service-	4,567								4,567
Potato Research & Mar	4,468								4,468
Snowmobile Reg	4,383								4,383
Commercial Fertilizer	4,173								4,173
MSU-GFCOTRenewal&RpIc	4,100								4,100

**Appendix A - Total Income By Fund FY07**

<b>Account Description</b>	<b>Investment Income</b>	<b>STIP</b>	<b>MDEP</b>	<b>MTIP</b>	<b>Pool Distributions MPEP</b>	<b>RFBP</b>	<b>TFBP</b>	<b>MTRP</b>	<b>Total</b>
Acquisitions Trust	827	361					2,834		4,023
Sigerson Fellwshp/Exh	3,964								3,964
Elk Auction	3,911								3,911
PERS-DC Education	3,799								3,799
State-Tribal Economic	3,776								3,776
Nongame Wildlife Acco	3,581								3,581
Grain Services	3,514								3,514
MSU-GCOT Retrmnt Inde	3,434								3,434
Alfalfa Seed Assessme	3,314								3,314
GO 03 SBP Bond Procee	3,280								3,280
CST 90 A Fisheries Mi	3,042								3,042
CST 97B Debt Service	2,983								2,983
UM-TECH Auxiliary Ent	2,957								2,957
CMC CECRA SITES	2,948								2,948
Industrial Accident R	2,940								2,940
MSU-BIgs Retiremnt In	2,897								2,897
Moose Auction	2,689								2,689
UM-HCOT Endowments	2,428	174							2,602
CST OIC Refunding D.S	2,496								2,496
ANIMAL HEALTH	2,492								2,492
Merritt-Wheeler Memor	157	595					1,698		2,450
Arbitrage Rebate	2,317								2,317
Woodville Hill Abando	2,316								2,316
UM-HCOT Renewal & Rep	2,252								2,252
UM-HCOT Auxiliary Ent	2,227								2,227
Nursery Account	2,190								2,190
General Trust Fund	2,182								2,182
Milk Control Bureau	2,125								2,125
Water Well Contractor	1,895								1,895
Washington Gulch Bond	1,814								1,814
Corbin Flats Fin Assu	1,799								1,799
Affordable House Revo	1,702								1,702
Snowmobile Registrati	1,701								1,701
Paddlefish Roe Accoun	1,554								1,554
FY01 CST Nontaxable B	1,515								1,515
Fishing Access Site A	1,503								1,503
MSU-FIRE Genl Operati	1,500								1,500
LWRD Start Program -	1,425								1,425
Haynes Collection Tru	1,384								1,384
Anhydrous Ammonia Acc	1,305								1,305
Off-Hwy Vehicle Acct	1,269								1,269
UM-Western Retire of	1,213								1,213
Mule Deer Auction	1,209								1,209
2004B LRB	1,207								1,207
Hazardous Waste-CERCL	1,166								1,166
Sobotka Expendable Tr	1,143								1,143
CST 97A Debt Service	1,115								1,115
Yellowstone Groundwat	1,089								1,089
FY01 CST Taxable Bond	995								995
Mint Committee	865								865
PULSE RES&MRKT DEV	845								845
Stripper-SECP	731								731
Montana IA Disaster F	685								685
Upland Game Bird Plan	664								664
Mountain Goat Auction	663								663
MSU-Billings Restrict	661								661
Diamond Shamrock-Admi	659								659
Fert. Groundwater Acc	644								644
Ag NB Private Funds	563								563
Exxon-SECP	486								486
PINE HILLS SCH TRUS	465								465
Weed Seed Free Forage	439								439
MSU-Northern Endowmen	438								438
2002B LRB Bonds	426								426
Alfalfa Leaf Cutting	410								410
2001B LRB Bonds	354								354
Donated SAR - Aeronau	293								293
CST 2001F Taxable D S	291								291
CST 2001E Tax Ex DS	281								281
Broadwater O & M	272								272
Churchill Endowment	260								260
UM-Western Endowments	226								226
Apiary Account	195								195
2000C LRB Bonds	181								181
MSU-Northern Loan Fun	151								151
Stripper-SBP	149								149

**Appendix A - Total Income By Fund FY07**

<b>Account Description</b>	<b>Investment Income</b>	<b>Pool Distributions</b>				<b>MTRP</b>	<b>Total</b>		
		<b>STIP</b>	<b>MDEP</b>	<b>MTIP</b>	<b>MPEP</b>	<b>RFBP</b>	<b>TFBP</b>		
MONTANA PATHWAYS	100						100		
CHERRY RES&MRKT DEV	98						98		
Child Abuse & Neglect	77						77		
Commodity Dealer/Ware	38						38		
Exxon-ICP	32						32		
Beginning Farm Loans	30						30		
Pegasus Reclamation/Z	16						16		
Pegasus Reclamation/Z	14						14		
Seed Account	9						9		
Organic Certification	2						2		
Agriculture ASD Feder	1						1		
BEAL MTN GOLD RECOVE	1						1		
<b>GROSS INCOME</b>	<b>223,965,819</b>	<b>124,560,458</b>	<b>27,518,360</b>	<b>25,495,470</b>	<b>9,479,559</b>	<b>114,799,228</b>	<b>82,805,916</b>	<b>3,036,538</b>	<b>611,661,350</b>
LESS ADMIN EXPENSE*	(167,662)	(39,334)	(4,644,886)	(6,408,273)	(7,249,432)	(402,114)	(941,067)	(19,852,767)	
<b>SUBTOTAL</b>	<b>223,798,157</b>	<b>124,521,124</b>	<b>22,873,475</b>	<b>19,087,196</b>	<b>2,230,127</b>	<b>114,397,114</b>	<b>82,805,916</b>	<b>2,095,471</b>	<b>591,808,582</b>
LESS RFBP STIP INCOME		(2,701,303)						(2,701,303)	
LESS TFBP STIP INCOME		(1,938,287)						(1,938,287)	
LESS MTRP STIP INCOME		(2,118,081)						(2,118,081)	
<b>NET INCOME</b>	<b>223,798,157</b>	<b>117,763,453</b>	<b>22,873,475</b>	<b>19,087,196</b>	<b>2,230,127</b>	<b>114,397,114</b>	<b>82,805,916</b>	<b>2,095,471</b>	<b>585,050,911</b>

## APPENDIX A - Securities Listings By Portfolios As Of June 30, 2007

<b>Fund</b>	<b>Security Name</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Par/Shares</b>	<b>Book Value</b>	<b>Fair Value</b>
Treasurer's Fund	US BANK SWEEP REPO	5.250	07/02/07	18,255,027	18,255,027	18,255,027
	<b>TOTAL CASH EQUIVALENT</b>			<b>18,255,027</b>	<b>18,255,027</b>	<b>18,255,027</b>
Treasurer's Fund	FEDERAL HOME LN MTG CORP	4.625	08/15/08	10,000,000	9,983,410	9,924,752
Treasurer's Fund	FEDERAL FARM CR BKS	3.100	01/22/08	10,000,000	9,952,425	9,878,875
Treasurer's Fund	FEDERAL HOME LN BKS	4.000	06/13/08	10,000,000	9,956,597	9,875,673
Treasurer's Fund	FEDERAL HOME LN BKS	4.250	09/12/08	10,000,000	9,940,584	9,878,466
Treasurer's Fund	FEDERAL HOME LN BKS	4.750	03/13/09	10,000,000	9,937,612	9,921,626
Treasurer's Fund	FEDERAL HOME LN BKS	5.250	06/12/09	10,000,000	9,969,812	10,016,185
Treasurer's Fund	FEDERAL HOME LOAN BANKS	5.250	09/11/09	10,000,000	10,036,960	10,005,193
Treasurer's Fund	FEDERAL HOME LN BKS CONS	4.750	12/12/08	10,000,000	9,968,694	9,928,785
Treasurer's Fund	FEDERAL HOME LN ASSOC	5.000	10/16/09	10,000,000	9,976,909	9,938,141
Treasurer's Fund	FEDERAL NATL MTG ASSN	2.875	05/19/08	10,000,000	9,873,260	9,787,788
Treasurer's Fund	FEDERAL NATL MTG ASSN	4.500	08/15/08	10,000,000	10,000,000	9,915,800
Treasurer's Fund	FEDERAL NATL MTG ASSN	3.875	11/17/08	10,000,000	9,882,243	9,815,942
Treasurer's Fund	FEDERAL NATL MTG ASSN	3.550	11/16/07	10,000,000	10,000,000	9,937,974
Treasurer's Fund	FEDERAL NATL MTG ASSN	4.500	07/27/09	10,000,000	9,817,127	9,864,099
Treasurer's Fund	FEDERAL NATL MTG ASSN MTN	4.300	03/09/09	10,000,000	9,841,336	9,849,976
	<b>GOVERNMENT DIRECT-INDIRECT</b>			<b>150,000,000</b>	<b>149,136,968</b>	<b>148,539,275</b>
	<b>TOTAL FIXED INCOME</b>			<b>150,000,000</b>	<b>149,136,968</b>	<b>148,539,275</b>
Treasurer's Fund	SHORT TERM INVESTMENT POOL	1.000	12/31/10	733,882,467	733,882,467	733,882,467
	<b>TREASURER'S FUND TOTAL</b>			<b>902,137,494</b>	<b>901,274,462</b>	<b>900,676,769</b>
Abandoned Mine	AMERICAN GEN FIN CORP MTN	4.875	05/15/10	200,000	199,984	197,023
Abandoned Mine	CIT GROUP INC	5.200	11/03/10	200,000	200,000	196,734
Abandoned Mine	GENERAL ELEC CAP CORP MTN	5.000	04/10/12	150,000	149,238	146,617
Abandoned Mine	GENWORTH FINL INC	5.650	06/15/12	200,000	199,565	200,848
Abandoned Mine	GOLDMAN SACHS GROUP	5.300	02/14/12	250,000	249,808	246,040
Abandoned Mine	HERSHEY FOODS CORP	5.300	09/01/11	300,000	299,511	297,772
Abandoned Mine	HOUSEHOLD FIN CORP	4.750	05/15/09	200,000	199,935	198,022
Abandoned Mine	LEHMAN BROTHERS HLDGS INC	5.000	01/14/11	200,000	199,377	196,521
Abandoned Mine	MORGAN STANLEY	5.050	01/21/11	250,000	249,544	245,627
Abandoned Mine	VERIZON NEW JERSEY INC	5.875	01/17/12	250,000	256,111	250,497
Abandoned Mine	WELLS FARGO CO NEW	5.300	08/26/11	300,000	299,558	298,662
	<b>CORPORATE OTHER</b>			<b>2,500,000</b>	<b>2,502,630</b>	<b>2,474,363</b>
Abandoned Mine	FEDERAL HOME LOAN BANK	4.875	11/18/11	500,000	499,087	492,337
Abandoned Mine	FEDERAL HOME LOAN BKS	4.875	06/08/12	500,000	495,434	489,486
Abandoned Mine	FEDERAL HOME LN MTG CORP	3.625	09/15/08	200,000	200,177	196,366
Abandoned Mine	FEDERAL NATL MTG ASSN	4.500	08/15/08	300,000	300,000	297,474
Abandoned Mine	UNITED STATES TREAS NTS	3.000	02/15/09	500,000	493,961	485,156
	<b>GOVERNMENT DIRECT-INDIRECT</b>			<b>2,000,000</b>	<b>1,988,658</b>	<b>1,960,819</b>
	<b>TOTAL FIXED INCOME</b>			<b>4,500,000</b>	<b>4,491,288</b>	<b>4,435,183</b>
Abandoned Mine	SHORT TERM INVESTMENT POOL	1.000	12/31/10	1,423,044	1,423,044	1,423,044
	<b>ABANDONED MINE TOTAL</b>			<b>5,923,044</b>	<b>5,914,331</b>	<b>5,858,227</b>
FWP Mitigation	AMERICAN GEN FIN CORP MTN	4.875	05/15/10	500,000	499,960	492,557
FWP Mitigation	CIT GROUP INC	5.200	11/03/10	500,000	500,000	491,835
FWP Mitigation	GENERAL ELEC CAP CORP MTN	5.000	04/10/12	400,000	397,968	390,979
FWP Mitigation	GENWORTH FINL INC	5.650	06/15/12	400,000	399,129	401,697
FWP Mitigation	GOLDMAN SACHS GROUP	5.300	02/14/12	500,000	499,616	492,080
FWP Mitigation	HERSHEY FOODS CORP	5.300	09/01/11	500,000	499,184	496,286
FWP Mitigation	HOUSEHOLD FIN CORP	4.750	05/15/09	500,000	499,838	495,055
FWP Mitigation	LEHMAN BROTHERS HLDGS INC	5.000	01/14/11	500,000	498,441	491,303
FWP Mitigation	MORGAN STANLEY	5.050	01/21/11	500,000	499,088	491,254
FWP Mitigation	VERIZON NEW JERSEY INC	5.875	01/17/12	500,000	512,221	500,994
FWP Mitigation	WELLS FARGO CO NEW	5.300	08/26/11	500,000	499,264	497,770
	<b>CORPORATE OTHER</b>			<b>5,300,000</b>	<b>5,304,709</b>	<b>5,241,810</b>
FWP Mitigation	FEDERAL HOME LOAN BANK	4.875	11/18/11	1,000,000	998,174	984,674
FWP Mitigation	FEDERAL HOME LOAN BKS	4.875	06/08/12	1,000,000	990,867	978,972

## APPENDIX A - Securities Listings By Portfolios As Of June 30, 2007

<b>Fund</b>	<b>Security Name</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Par/Shares</b>	<b>Book Value</b>	<b>Fair Value</b>
FWP Mitigation	FEDERAL HOME LN MTG CORP	3.625	09/15/08	500,000	500,442	490,915
FWP Mitigation	FEDERAL NATL MTG ASSN	4.500	08/15/08	500,000	500,000	495,790
FWP Mitigation	UNITED STATES TREAS NTS	3.000	02/15/09	800,000	790,337	776,250
	GOVERNMENT DIRECT-INDIRECT			3,800,000	3,779,820	3,726,601
	<b>TOTAL FIXED INCOME</b>			<b>9,100,000</b>	<b>9,084,530</b>	<b>8,968,412</b>
FWP Mitigation	SHORT TERM INVESTMENT POOL	1.000	12/31/10	2,597,466	2,597,466	2,597,466
<b>FWP MITIGATION TOTAL</b>				<b>11,697,466</b>	<b>11,681,995</b>	<b>11,565,877</b>
Montana Pole	CIT GROUP INC	5.200	11/03/10	150,000	150,000	147,551
Montana Pole	GENERAL ELEC CAP CORP MTN	5.000	04/10/12	800,000	795,935	781,959
	CORPORATE OTHER			950,000	945,935	929,509
Montana Pole	FNMA POOL 313999	6.000	02/01/13	143,284	142,884	143,939
	GOVERNMENT-MORTGAGE BACKED			143,284	142,884	143,939
Montana Pole	FEDERAL NATL MTG ASSN	4.500	08/15/08	500,000	500,000	495,790
	GOVERNMENT DIRECT-INDIRECT			500,000	500,000	495,790
Montana Pole	TRUST FUNDS BOND POOL	0.000	12/31/09	21,046,300	20,698,600	20,318,840
	<b>TOTAL FIXED INCOME</b>			<b>22,639,584</b>	<b>22,287,419</b>	<b>21,888,078</b>
Montana Pole	SHORT TERM INVESTMENT POOL	1.000	12/31/10	6,915,603	6,915,603	6,915,603
<b>MONTANA POLE TOTAL</b>				<b>29,555,187</b>	<b>29,203,022</b>	<b>28,803,681</b>
FWP License Account	GENERAL ELEC CAP CORP MTN	5.000	04/10/12	600,000	596,951	586,469
	CORPORATE OTHER			600,000	596,951	586,469
FWP License Account	FEDERAL HOME LOAN BKS	4.875	06/08/12	500,000	495,434	489,486
FWP License Account	FEDERAL NATL MTG ASSN	4.500	08/15/08	500,000	500,000	495,790
	GOVERNMENT DIRECT-INDIRECT			1,000,000	995,434	985,276
	<b>TOTAL FIXED INCOME</b>			<b>1,600,000</b>	<b>1,592,385</b>	<b>1,571,745</b>
FWP License Account	SHORT TERM INVESTMENT POOL	1.000	12/31/10	30,220,862	30,220,862	30,220,862
<b>FWP LICENSE ACCOUNT TOTAL</b>				<b>31,820,862</b>	<b>31,813,247</b>	<b>31,792,607</b>
Streamside Tailings	COMM MTG TR	5.540	06/10/46	2,653,705	2,657,947	2,656,664
Streamside Tailings	J P MORGAN CHASE COML MTG SECS	4.200	07/12/35	3,044,462	3,057,550	2,961,776
	CORPORATE ASSET-BACKED			5,698,168	5,715,496	5,618,440
Streamside Tailings	AA / FT WORTH HQ FIN TR	5.500	10/05/10	1,655,072	1,655,072	1,644,728
	CORPORATE OTHER			1,655,072	1,655,072	1,644,728
Streamside Tailings	FED HM LN PC POOL E00659	6.000	04/01/14	377,106	376,925	379,212
Streamside Tailings	FNMA POOL 254233	5.000	03/01/17	1,523,035	1,487,035	1,478,593
	GOVERNMENT-MORTGAGE BACKED			1,900,141	1,863,960	1,857,805
Streamside Tailings	ENSCO OFFSHORE CO	6.360	12/01/15	2,833,447	2,833,447	2,924,118
Streamside Tailings	FEDERAL HOME LN MTG CORP MTN	5.125	05/13/13	5,000,000	5,000,000	4,875,368
Streamside Tailings	MAYBANK NAV LLC	7.620	07/25/20	3,375,000	3,375,000	3,269,194
	GOVERNMENT DIRECT-INDIRECT			11,208,447	11,208,447	11,068,680
Streamside Tailings	TRUST FUNDS BOND POOL	0.000	12/31/09	57,802,900	56,498,080	55,804,957
	<b>TOTAL FIXED INCOME</b>			<b>78,264,728</b>	<b>76,941,056</b>	<b>75,994,609</b>
Streamside Tailings	SHORT TERM INVESTMENT POOL	1.000	12/31/10	6,705,938	6,705,938	6,705,938
<b>STREAMSIDE TAILINGS TOTAL</b>				<b>84,970,666</b>	<b>83,646,994</b>	<b>82,700,548</b>
UCFRB Restoration	J P MORGAN CHASE COML MTG SECS	4.200	07/12/35	3,044,462	3,057,550	2,961,776
	CORPORATE ASSET-BACKED			3,044,462	3,057,550	2,961,776
UCFRB Restoration	ENSCO OFFSHORE CO	6.360	12/01/15	2,833,447	2,833,447	2,924,118
UCFRB Restoration	US TREASURY NTS	4.500	02/15/09	3,000,000	2,988,935	2,979,609
UCFRB Restoration	UNITED STATES TREAS NTS	4.625	03/31/08	3,000,000	2,994,968	2,991,094
	GOVERNMENT DIRECT-INDIRECT			8,833,447	8,817,350	8,894,821
UCFRB Restoration	TRUST FUNDS BOND POOL	0.000	12/31/09	144,838,500	140,497,371	139,832,192
	<b>TOTAL FIXED INCOME</b>			<b>156,716,410</b>	<b>152,372,371</b>	<b>151,688,789</b>
UCFRB Restoration	SHORT TERM INVESTMENT POOL	1.000	12/31/10	8,015,564	8,015,564	8,015,564

## APPENDIX A - Securities Listings By Portfolios As Of June 30, 2007

Fund	Security Name	Coupon	Maturity	Par/Shares	Book Value	Fair Value
UCFRB RESTORATION	<b>TOTAL</b>			<b>164,731,973</b>	<b>160,387,835</b>	<b>159,704,353</b>
UCFRB Assess	TRUST FUNDS BOND POOL	0.000	12/31/09	17,389,100	16,975,601	16,788,050
	<b>TOTAL FIXED INCOME</b>			<b>17,389,100</b>	<b>16,975,601</b>	<b>16,788,050</b>
UCFRB Assess	SHORT TERM INVESTMENT POOL	1.000	12/31/10	94.016	94.016	94.016
UCFRB ASSESS	<b>TOTAL</b>			<b>17,483,116</b>	<b>17,069,616</b>	<b>16,882,065</b>
State Fund Insurance	ARIA CDO II JERSEY NO 1 LTD	8.000	10/10/12	10,000,000	10,000,000	10,835,000
State Fund Insurance	BANC AMER COML MTG INC COML	5.381	01/15/49	5,000,000	5,023,397	4,938,947
State Fund Insurance	BANC AMER COML MTG TR 2007 2	5.634	04/10/49	5,000,000	5,024,822	4,990,657
State Fund Insurance	COMM MTG TR	5.540	06/10/46	4,422,842	4,429,911	4,427,773
State Fund Insurance	GE COML MTG CORP TR	5.417	12/10/49	10,000,000	10,048,753	9,886,537
State Fund Insurance	GALENA CDO I CAYMAN IS NO 1LTD	6.576	01/11/13	4,000,000	4,000,000	4,048,000
State Fund Insurance	J P MORGAN CHASE COML MTG SECs	4.200	07/12/35	9,133,387	9,172,649	8,885,328
State Fund Insurance	JP MORGAN CHASE	5.279	12/12/43	4,706,723	4,716,329	4,675,671
	<b>CORPORATE ASSET-BACKED</b>			<b>52,262,952</b>	<b>52,415,861</b>	<b>52,687,912</b>
State Fund Insurance	AA / FT WORTH HQ FIN TR	5.500	10/05/10	5,172,099	5,172,099	5,139,774
State Fund Insurance	ABBOTT LABS	3.500	02/17/09	10,000,000	9,982,762	9,730,916
State Fund Insurance	AMERICAN EXPRESS CO	5.500	09/12/16	5,000,000	4,976,584	4,930,155
State Fund Insurance	AMERICAN GEN FIN CORP MTN	4.875	05/15/10	4,000,000	3,999,679	3,940,458
State Fund Insurance	B J SERVICES	5.750	06/01/11	5,000,000	4,994,847	4,995,570
State Fund Insurance	BANK AMER CORP	3.375	02/17/09	5,000,000	4,991,511	4,858,817
State Fund Insurance	BANK AMER CORP	5.375	06/15/14	5,000,000	4,968,159	4,900,538
State Fund Insurance	BUNGE NA FINANCE LP	5.900	04/01/17	5,000,000	4,994,457	4,813,352
State Fund Insurance	BURLINGTON NORTHN RR CO	6.940	01/02/14	2,715,398	2,715,398	2,715,398
State Fund Insurance	BURLINGTON NORTHN SANTA FE RY	7.160	01/02/20	3,954,175	3,954,175	4,175,865
State Fund Insurance	CIT GROUP EQUIP FING INC	6.490	01/05/21	6,367,961	6,367,961	6,500,026
State Fund Insurance	CIT GROUP INC NEW	5.750	09/25/07	5,000,000	5,010,062	5,006,071
State Fund Insurance	CIT GROUP INC	5.800	07/28/11	3,000,000	3,029,706	2,992,158
State Fund Insurance	CVS CAREMARK CORP	5.750	06/01/17	5,000,000	4,804,712	4,824,110
State Fund Insurance	CENTEX CORP	5.700	05/15/14	3,000,000	2,997,162	2,849,705
State Fund Insurance	CITIGROUP INC	6.000	02/21/12	5,000,000	4,999,141	5,087,117
State Fund Insurance	CITIGROUP INC	3.625	02/09/09	5,000,000	4,996,131	4,879,875
State Fund Insurance	COMCAST CORP NEW	5.450	11/15/10	5,000,000	5,007,177	4,973,915
State Fund Insurance	CONOCOPHILLIPS CDA FDG CO I	5.625	10/15/16	6,000,000	5,999,554	5,903,790
State Fund Insurance	CONTINENTAL AIRLS	6.563	08/15/13	5,000,000	5,013,070	5,156,250
State Fund Insurance	DETROIT EDISON CO	5.200	10/15/12	5,000,000	4,963,335	4,885,039
State Fund Insurance	DONNELLEY R R + SONS CO	4.950	04/01/14	5,000,000	4,858,980	4,567,835
State Fund Insurance	ENTERGY ARK INC	4.500	06/01/10	3,000,000	2,992,249	2,904,404
State Fund Insurance	FIFTH THIRD BANCORP	5.450	01/15/17	5,000,000	4,983,418	4,843,003
State Fund Insurance	FIRST CHICAGO CORP	6.375	01/30/09	2,000,000	1,969,443	2,033,701
State Fund Insurance	FORTUNE BRANDS INC	5.375	01/15/16	3,000,000	2,982,905	2,785,335
State Fund Insurance	GENERAL ELEC CAP CORP MTN	5.000	04/10/12	3,000,000	2,984,756	2,932,345
State Fund Insurance	GENERAL ELEC CAP CORP MTN	4.375	11/21/11	10,000,000	9,777,720	9,558,717
State Fund Insurance	GENERAL MTRS ACCEP CORP	6.125	08/28/07	5,000,000	5,000,291	5,000,220
State Fund Insurance	GENWORTH FINL INC	5.650	06/15/12	3,500,000	3,492,380	3,514,845
State Fund Insurance	GOLDMAN SACHS GROUP INC	5.350	01/15/16	5,000,000	4,951,008	4,762,686
State Fund Insurance	GOLDMAN SACHS GROUP	5.300	02/14/12	4,000,000	3,996,929	3,936,636
State Fund Insurance	GOLDMAN SACHS GROUP INC	3.875	01/15/09	5,000,000	5,017,493	4,895,614
State Fund Insurance	HSBC FIN CORP	5.500	01/19/16	5,000,000	5,007,722	4,818,375
State Fund Insurance	HSBC FIN CORP	5.900	06/19/12	4,000,000	3,990,145	4,017,744
State Fund Insurance	HARTFORD FINL SVCS GROUP INC	5.375	03/15/17	5,000,000	4,986,969	4,801,849
State Fund Insurance	ING SEC LIFE INSTL FDG	4.250	01/15/10	3,000,000	2,996,663	2,915,238
State Fund Insurance	INTERNATIONAL LEASE FIN CORP	5.125	11/01/10	5,000,000	4,986,816	4,947,549
State Fund Insurance	INTL LEASE FIN CORP MTN	4.550	10/15/09	5,000,000	5,059,886	4,901,430
State Fund Insurance	J P MORGAN CHASE AND CO	3.500	03/15/09	10,000,000	9,979,732	9,716,165
State Fund Insurance	JERSEY CENT PWR + LT CO	5.650	06/01/17	3,000,000	2,989,617	2,912,451
State Fund Insurance	KCT INTERMODAL TRANSN CORP	6.884	08/01/18	3,151,467	3,151,467	3,294,546
State Fund Insurance	KEY BK NA MED TERM NTS BK ENTR	4.412	03/18/08	5,000,000	5,000,000	4,969,594

## APPENDIX A - Securities Listings By Portfolios As Of June 30, 2007

<b>Fund</b>	<b>Security Name</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Par/Shares</b>	<b>Book Value</b>	<b>Fair Value</b>
State Fund Insurance	KEYBANK NATL ASSN MTN	5.450	03/03/16	5,000,000	4,998,959	4,838,575
State Fund Insurance	KRAFT FOODS INC	4.125	11/12/09	3,000,000	2,993,079	2,906,259
State Fund Insurance	LEHMAN BROTHERS HLDGS INC	5.500	05/25/10	5,000,000	5,000,000	4,995,585
State Fund Insurance	LEHMAN BROTHERS HLDGS INC	5.000	01/14/11	4,000,000	3,987,531	3,930,420
State Fund Insurance	MGIC INVT CORP	5.625	09/15/11	4,000,000	3,999,292	3,989,398
State Fund Insurance	MARSH + MCLENNAN COS INC	7.125	06/15/09	3,000,000	2,998,544	3,082,619
State Fund Insurance	MCKESSON CORP NEW	5.250	03/01/13	3,000,000	2,988,080	2,928,708
State Fund Insurance	MERRILL LYNCH + CO INC	4.125	01/15/09	5,000,000	4,999,095	4,919,064
State Fund Insurance	METLIFE INC	5.000	11/24/13	5,000,000	4,969,247	4,807,135
State Fund Insurance	MORGAN STANLEY	4.000	01/15/10	5,000,000	4,979,601	4,828,545
State Fund Insurance	MORGAN STANLEY	5.050	01/21/11	4,000,000	3,992,707	3,930,034
State Fund Insurance	NATNL CITY BK CLEVELAND OH	5.250	12/15/16	5,000,000	4,995,606	4,741,827
State Fund Insurance	NATIONWIDE FINL SVCS INC	6.250	11/15/11	5,000,000	5,179,725	5,117,891
State Fund Insurance	PNC FDG CORP	4.200	03/10/08	5,000,000	4,999,458	4,959,522
State Fund Insurance	PPL MONT LLC	8.903	07/02/20	3,702,692	3,702,692	4,070,618
State Fund Insurance	PANAMERICAN BEVERAGES INC	7.250	07/01/09	3,000,000	3,018,196	3,090,000
State Fund Insurance	ALTRIA GROUP INC	7.650	07/01/08	5,000,000	5,122,049	5,110,453
State Fund Insurance	PRINCIPAL LIFE GLOBAL FDG MTN	5.125	10/15/13	5,000,000	4,995,376	4,848,582
State Fund Insurance	PRUDENTIAL FINL INC	5.500	03/15/16	5,000,000	4,910,721	4,886,370
State Fund Insurance	SBC COMMUNICATIONS INC	5.300	11/15/10	5,000,000	4,992,674	4,964,947
State Fund Insurance	SLM CORP	4.500	07/26/10	5,000,000	4,991,408	4,711,256
State Fund Insurance	ST PAUL TRAVELERS COS INC	6.250	06/20/16	5,000,000	4,984,212	5,082,570
State Fund Insurance	SOUTHWEST GAS CORP	8.375	02/15/11	4,000,000	3,997,784	4,301,640
State Fund Insurance	UNION BK CALIF	5.950	05/11/16	5,000,000	5,003,787	4,995,095
State Fund Insurance	UNION PAC CORP	4.875	01/15/15	7,000,000	6,719,625	6,531,287
State Fund Insurance	VERIZON COMMUNICATIONS INC	5.550	02/15/16	5,000,000	4,965,444	4,882,552
State Fund Insurance	WACHOVIA CORP NEW	5.625	10/15/16	5,000,000	4,982,164	4,868,116
State Fund Insurance	WASHINGTON MUT INC	4.200	01/15/10	5,000,000	4,996,163	4,846,065
State Fund Insurance	WELLPOINT INC	5.875	06/15/17	5,000,000	4,922,405	4,925,145
State Fund Insurance	WELLS FARGO + CO NEW	4.625	04/15/14	5,000,000	4,853,823	4,712,373
State Fund Insurance	WELLS FARGO CO NEW	5.300	08/26/11	9,000,000	8,990,523	8,959,855
State Fund Insurance	WESTERN PPTYS TR	7.200	09/15/08	1,000,000	992,846	1,020,755
State Fund Insurance	WYETH	5.500	02/01/14	5,000,000	4,993,625	4,942,819
State Fund Insurance	ZIONS BANCORPORATION	5.650	05/15/14	3,000,000	2,997,323	2,955,195
	CORPORATE OTHER			362,563,792	361,308,038	356,970,444
State Fund Insurance	FED HM LN PC POOL G10814	5.500	05/01/13	925,937	925,530	922,796
State Fund Insurance	FED HM LN PC POOL E00540	6.000	03/01/13	669,647	668,421	672,901
State Fund Insurance	FED HM LN PC POOL E00659	6.000	04/01/14	603,370	603,080	606,740
State Fund Insurance	FNMA POOL 190985	7.500	08/01/09	199,749	199,749	202,070
State Fund Insurance	FNMA POOL 254140	5.500	01/01/17	5,838,995	5,822,344	5,783,570
State Fund Insurance	FNMA POOL 254233	5.000	03/01/17	3,046,069	2,974,070	2,957,186
State Fund Insurance	FNMA POOL 254631	5.000	02/01/18	3,754,437	3,755,786	3,641,710
State Fund Insurance	FNMA POOL 303590	7.000	11/01/10	305,969	305,969	309,603
State Fund Insurance	FNMA POOL 572220	6.000	03/01/16	242,442	241,982	244,157
State Fund Insurance	FNMA POOL 592327	5.500	06/01/16	570,524	561,587	565,465
	GOVERNMENT-MORTGAGE BACKED			16,157,139	16,058,517	15,906,197
State Fund Insurance	ENSCO OFFSHORE CO	6.360	12/01/15	2,833,447	2,833,447	2,924,118
State Fund Insurance	FEDERAL HOME LN MTG CORP MTN	5.125	05/13/13	15,000,000	15,000,000	14,626,104
State Fund Insurance	FED HOME LN MTG CORP MTN	5.125	07/18/18	5,000,000	5,000,000	4,823,952
State Fund Insurance	FREDDIE MAC	4.100	01/28/14	15,000,000	15,000,000	14,613,015
State Fund Insurance	FEDERAL HOME LN MTG CORP	5.050	01/26/15	10,000,000	9,975,908	9,789,746
State Fund Insurance	FEDERAL FARM CR BKS	4.450	09/23/13	7,000,000	6,791,996	6,662,139
State Fund Insurance	EDERAL FARM CR BKS	5.100	04/12/17	20,000,000	19,724,341	19,323,316
State Fund Insurance	FEDERAL HOME LN BKS	4.000	12/19/11	8,000,000	7,753,125	7,559,783
State Fund Insurance	FEDERAL HOME LN BKS	4.270	01/17/12	7,000,000	6,832,875	6,677,678
State Fund Insurance	FEDERAL HOME LN BKS	4.150	06/25/13	12,000,000	11,381,277	11,221,393
State Fund Insurance	FEDERAL HOME LN BKS	4.125	08/13/10	20,000,000	19,988,779	19,392,480
State Fund Insurance	FEDERAL HOME LN BKS	3.625	11/14/08	10,000,000	9,993,649	9,793,961
State Fund Insurance	FEDERAL HOME LN BKS	4.750	09/11/15	10,000,000	9,747,044	9,505,833
State Fund Insurance	FEDERAL HOME LN BANKS	4.750	12/16/16	15,000,000	14,858,727	14,217,453

## APPENDIX A - Securities Listings By Portfolios As Of June 30, 2007

<b>Fund</b>	<b>Security Name</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Par/Shares</b>	<b>Book Value</b>	<b>Fair Value</b>
State Fund Insurance	FEDERAL HOME LN BKS	5.125	03/10/17	10,000,000	10,093,290	9,672,173
State Fund Insurance	FEDERAL HOME LN MTG CORP	5.625	03/15/11	10,000,000	10,034,480	10,127,428
State Fund Insurance	FEDERAL HOME LN MTG CORP	6.000	06/15/11	15,000,000	14,994,740	15,394,737
State Fund Insurance	FEDERAL HOME LN MTG CORP	3.625	09/15/08	10,000,000	10,013,916	9,818,292
State Fund Insurance	FEDERAL NATL MTG ASSN	5.550	02/16/17	20,000,000	20,054,643	19,583,012
State Fund Insurance	FEDERAL NATL MTG ASSN	5.000	04/26/17	5,000,000	4,852,688	4,770,965
State Fund Insurance	FEDERAL NATL MTG ASSN	7.250	01/15/10	8,000,000	8,146,645	8,384,336
State Fund Insurance	FEDERAL NATL MTG ASSN	6.625	11/15/10	10,000,000	10,146,762	10,425,376
State Fund Insurance	FEDERAL NATL MTG ASSN	2.875	05/19/08	10,000,000	9,873,260	9,787,788
State Fund Insurance	FEDERAL NATL MTG ASSN	4.375	07/17/13	20,000,000	19,525,213	19,003,932
State Fund Insurance	FEDERAL NATL MTG ASSN	3.375	12/15/08	15,000,000	14,959,594	14,621,886
State Fund Insurance	FEDERAL NATL MTG ASSN	4.125	04/15/14	10,000,000	9,560,941	9,298,419
State Fund Insurance	FEDERAL NATL MTG ASSN	4.500	08/15/08	10,000,000	10,000,000	9,915,800
State Fund Insurance	FEDERAL HOME LN MTG CORP	5.000	02/16/17	10,000,000	9,886,872	9,665,560
State Fund Insurance	GLOBAL INDS LTD	7.710	02/15/25	3,600,000	3,600,000	3,568,716
State Fund Insurance	ROWAN COS INC	5.880	03/15/12	6,817,000	6,817,000	6,886,056
State Fund Insurance	UNITED STATES TREAS NTS	4.000	02/15/15	20,000,000	18,905,852	18,721,876
	GOVERNMENT DIRECT-INDIRECT			350,250,447	346,347,064	340,777,323
	<b>TOTAL FIXED INCOME</b>			<b>781,234,330</b>	<b>776,129,480</b>	<b>766,341,877</b>
State Fund Insurance	STATE FUND BUILDING	0.000	12/31/10	1,139,460	1,139,460	1,139,460
	DIRECT REAL ESTATE			1,139,460	1,139,460	1,139,460
State Fund Insurance	BGI EQUITY INDEX FUND B	0.000		480,587	68,406,676	100,545,339
	<b>TOTAL EQUITY</b>			<b>1,620,047</b>	<b>69,546,137</b>	<b>101,684,799</b>
State Fund Insurance	SHORT TERM INVESTMENT POOL	1.000	12/31/10	10,305,619	10,305,619	10,305,619
	<b>STATE FUND INSURANCE TOTAL</b>			<b>793,159,997</b>	<b>855,981,236</b>	<b>878,332,295</b>
Subsequent Injury	AMERICAN GEN FIN CORP MTN	4.875	05/15/10	100,000	99,992	98,511
Subsequent Injury	CIT GROUP INC	5.200	11/03/10	50,000	50,000	49,184
Subsequent Injury	GENERAL ELEC CAP CORP MTN	5.000	04/10/12	50,000	49,746	48,872
Subsequent Injury	GOLDMAN SACHS GROUP	5.300	02/14/12	50,000	49,962	49,208
Subsequent Injury	HOUSEHOLD FIN CORP	4.750	05/15/09	100,000	99,968	99,011
Subsequent Injury	LEHMAN BROTHERS HLDGS INC	5.000	01/14/11	100,000	99,688	98,261
Subsequent Injury	MORGAN STANLEY	5.050	01/21/11	75,000	74,863	73,688
	CORPORATE OTHER			525,000	524,219	516,735
Subsequent Injury	FEDERAL HOME LOAN BANK	4.875	11/18/11	100,000	99,817	98,467
Subsequent Injury	FEDERAL HOME LOAN BKS	4.875	06/08/12	100,000	99,087	97,897
Subsequent Injury	FEDERAL HOME LN MTG CORP	3.625	09/15/08	100,000	100,088	98,183
Subsequent Injury	UNITED STATES TREAS NTS	3.000	02/15/09	200,000	197,584	194,063
	GOVERNMENT DIRECT-INDIRECT			500,000	496,577	488,610
	<b>TOTAL FIXED INCOME</b>			<b>1,025,000</b>	<b>1,020,795</b>	<b>1,005,345</b>
Subsequent Injury	SHORT TERM INVESTMENT POOL	1.000	12/31/10	108,248	108,248	108,248
	<b>SUBSEQUENT INJURY TOTAL</b>			<b>1,133,248</b>	<b>1,129,043</b>	<b>1,113,593</b>
Old Fund Insurance	COMM MTG TR	5.540	06/10/46	3,538,274	3,543,929	3,542,218
Old Fund Insurance	J P MORGAN CHASE COML MTG	3.053	01/15/38	1,834,149	1,833,800	1,773,958
	CORPORATE ASSET-BACKED			5,372,423	5,377,729	5,316,176
Old Fund Insurance	CIT GROUP INC	5.200	11/03/10	1,000,000	1,000,000	983,671
Old Fund Insurance	VERIZON NEW JERSEY INC	5.875	01/17/12	1,000,000	1,024,442	1,001,988
	CORPORATE OTHER			2,000,000	2,024,442	1,985,659
Old Fund Insurance	FED HM LN PC POOL G10814	5.500	05/01/13	498,581	498,362	496,890
Old Fund Insurance	FED HM LN PC POOL G10173	6.000	01/01/09	77,783	77,717	78,102
Old Fund Insurance	FED HM LN PC POOL E00247	5.500	10/01/08	52,879	52,718	52,740
Old Fund Insurance	FED HM LN PC POOL E00540	6.000	03/01/13	223,216	222,807	224,300
Old Fund Insurance	FNMA POOL 313999	6.000	02/01/13	334,330	333,396	335,858
	GOVERNMENT-MORTGAGE BACKED			1,186,789	1,185,000	1,187,889
Old Fund Insurance	FEDERAL HOME LN MTG CORP	3.625	09/15/08	3,000,000	3,002,654	2,945,488
Old Fund Insurance	FEDERAL NATL MTG ASSN	5.750	02/15/08	5,000,000	5,082,965	5,012,368
Old Fund Insurance	FEDERAL NATL MTG ASSN	6.625	10/15/07	5,000,000	5,019,678	5,020,588

## APPENDIX A - Securities Listings By Portfolios As Of June 30, 2007

<b>Fund</b>	<b>Security Name</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Par/Shares</b>	<b>Book Value</b>	<b>Fair Value</b>
Old Fund Insurance	FEDERAL NATL MTG ASSN	2.875	05/19/08	2,000,000	1,974,652	1,957,558
Old Fund Insurance	FEDERAL NATL MTG ASSN	4.500	08/15/08	3,000,000	3,000,000	2,974,740
Old Fund Insurance	ROWAN COS INC	5.880	03/15/12	4,545,000	4,545,000	4,591,041
Old Fund Insurance	US TREASURY NTS	4.500	02/15/09	2,000,000	1,992,623	1,986,406
Old Fund Insurance	MAY BANK NAVIGATION CO LLC	5.900	09/16/13	1,722,000	1,722,000	1,735,259
	GOVERNMENT DIRECT-INDIRECT			26,267,000	26,339,572	26,223,447
	<b>TOTAL FIXED INCOME</b>			<b>34,826,212</b>	<b>34,926,743</b>	<b>34,713,171</b>
Old Fund Insurance	SHORT TERM INVESTMENT POOL	1.000	12/31/10	6,995,425	6,995,425	6,995,425
<b>OLD FUND INSURANCE TOTAL</b>				<b>41,821,637</b>	<b>41,922,168</b>	<b>41,708,596</b>
Zortman/Landusky	FEDERAL NATL MTG ASSN	0.010	06/01/17	14,600,000	7,811,503	8,487,911
	GOVERNMENT DIRECT-INDIRECT			14,600,000	7,811,503	8,487,911
	<b>TOTAL FIXED INCOME</b>			<b>14,600,000</b>	<b>7,811,503</b>	<b>8,487,911</b>
Zortman/Landusky	SHORT TERM INVESTMENT POOL	1.000	12/31/10	70,229	70,229	70,229
<b>ZORTMAN/LANDUSKY TOTAL</b>				<b>14,670,229</b>	<b>7,881,731</b>	<b>8,558,140</b>
Group Benefits	GENWORTH FINL INC	5.650	06/15/12	900,000	898,041	903,817
Group Benefits	HSBC FIN CORP	5.900	06/19/12	1,000,000	997,536	1,004,436
	CORPORATE OTHER			1,900,000	1,895,577	1,908,253
Group Benefits	FEDERAL HOME LOAN BKS	4.875	06/08/12	2,900,000	2,873,516	2,839,020
	GOVERNMENT DIRECT-INDIRECT			2,900,000	2,873,516	2,839,020
	<b>TOTAL FIXED INCOME</b>			<b>4,800,000</b>	<b>4,769,092</b>	<b>4,747,273</b>
Group Benefits	SHORT TERM INVESTMENT POOL	1.000	12/31/10	37,343,235	37,343,235	37,343,235
<b>GROUP BENEFITS TOTAL</b>				<b>42,143,235</b>	<b>42,112,327</b>	<b>42,090,508</b>
Permanent Coal Trust	TRUST FUNDS BOND POOL	0.000	12/31/09	295,881,500	284,925,742	285,654,427
	<b>TOTAL FIXED INCOME</b>			<b>295,881,500</b>	<b>284,925,742</b>	<b>285,654,427</b>
Permanent Coal Trust	PERMANENT COAL TRUST	0.000	12/31/10	222,017,068	222,017,068	222,017,068
Permanent Coal Trust	SHORT TERM INVESTMENT POOL	1.000	12/31/10	17,707,116	17,707,116	17,707,116
Permanent Fund Inc.	SHORT TERM INVESTMENT POOL			3,841,665	3,841,665	3,841,665
CST Bond Fund	SHORT TERM INVESTMENT POOL			4,536,670	4,536,670	4,536,670
<b>PERMANENT COAL TRUST TOTAL</b>				<b>543,984,020</b>	<b>533,028,262</b>	<b>533,756,947</b>
FWP Real Property	TRUST FUNDS BOND POOL	1.000	12/31/09	4,748,500	4,778,922	4,584,369
	<b>TOTAL FIXED INCOME</b>			<b>4,748,500</b>	<b>4,778,922</b>	<b>4,584,369</b>
FWP Real Property	SHORT TERM INVESTMENT POOL	1.000	12/31/10	270,084	270,084	270,084
<b>FWP REAL PROPERTY TOTAL</b>				<b>5,018,584</b>	<b>5,049,006</b>	<b>4,854,453</b>
Resource Indemnity Tr	TRUST FUNDS BOND POOL	0.000	12/31/09	104,735,000	99,999,976	101,114,860
	<b>TOTAL FIXED INCOME</b>			<b>104,735,000</b>	<b>99,999,976</b>	<b>101,114,860</b>
Resource Indemnity Tr	SHORT TERM INVESTMENT POOL	1.000	12/31/10	23,133	23,133	23,133
<b>RESOURCE INDEMNITY TOTAL</b>				<b>104,758,133</b>	<b>100,023,109</b>	<b>101,137,993</b>
Coal Tax Park Acquisi	TRUST FUNDS BOND POOL	0.000	12/31/09	17,814,000	17,435,712	17,198,263
	<b>TOTAL FIXED INCOME</b>			<b>17,814,000</b>	<b>17,435,712</b>	<b>17,198,263</b>
Coal Tax Park Acquisi	SHORT TERM INVESTMENT POOL	1.000	12/31/10	513,825	513,825	513,825
<b>COAL TAX PARK ACQUISITION TOTAL</b>				<b>18,327,825</b>	<b>17,949,537</b>	<b>17,712,088</b>
Wildlife Habitat	TRUST FUNDS BOND POOL	1.000	12/31/09	7,020,500	7,069,304	6,777,838
	<b>TOTAL FIXED INCOME</b>			<b>7,020,500</b>	<b>7,069,304</b>	<b>6,777,838</b>
Wildlife Habitat	SHORT TERM INVESTMENT POOL	1.000	12/31/10	764,202	764,202	764,202
<b>WILDLIFE HABITAT TOTAL</b>				<b>7,784,702</b>	<b>7,833,506</b>	<b>7,542,040</b>
Trust and Legacy	TRUST FUNDS BOND POOL	0.000	12/31/09	444,995,800	428,153,530	429,614,627

**APPENDIX A - Securities Listings By Portfolios As Of June 30, 2007**

<u>Fund</u>	<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par/Shares</u>	<u>Book Value</u>	<u>Fair Value</u>
	<b>TOTAL FIXED INCOME</b>			<b>444,995,800</b>	<b>428,153,530</b>	<b>429,614,627</b>
<b>TRUST AND LEGACY</b>				<b>444,995,800</b>	<b>428,153,530</b>	<b>429,614,627</b>
Highway 93 Bond	SHORT TERM INVESTMENT POOL	1.000	12/31/10	45,021,865	45,021,865	45,021,865
	<b>HIGHWAY 93 BOND TOTAL</b>			<b>45,021,865</b>	<b>45,021,865</b>	<b>45,021,865</b>
Weed Control	AMERICAN GEN FIN CORP MTN	4.875	05/15/10	200,000	199,984	197,023
Weed Control	CIT GROUP INC	5.200	11/03/10	100,000	100,000	98,367
Weed Control	GOLDMAN SACHS GROUP	5.300	02/14/12	200,000	199,846	196,832
Weed Control	HERSHEY FOODS CORP	5.300	09/01/11	200,000	199,674	198,515
Weed Control	HOUSEHOLD FIN CORP	4.750	05/15/09	200,000	199,935	198,022
Weed Control	LEHMAN BROTHERS HLDGS INC	5.000	01/14/11	200,000	199,377	196,521
Weed Control	MORGAN STANLEY	5.050	01/21/11	175,000	174,681	171,939
Weed Control	VERIZON NEW JERSEY INC	5.875	01/17/12	250,000	256,111	250,497
Weed Control	WELLS FARGO CO NEW	5.300	08/26/11	200,000	199,705	199,108
	CORPORATE OTHER			1,725,000	1,729,313	1,706,823
Weed Control	FEDERAL HOME LOAN BANK	4.875	11/18/11	400,000	399,269	393,870
Weed Control	FEDERAL HOME LN MTG CORP	3.625	09/15/08	200,000	200,177	196,366
Weed Control	FEDERAL NATL MTG ASSN	4.500	08/15/08	200,000	200,000	198,316
Weed Control	UNITED STATES TREAS NTS	3.000	02/15/09	500,000	493,961	485,156
	GOVERNMENT DIRECT-INDIRECT			1,300,000	1,293,407	1,273,708
Weed Control	TRUST FUNDS BOND POOL	1.000	12/31/09	1,029,000	999,962	993,433
	<b>TOTAL FIXED INCOME</b>			<b>4,054,000</b>	<b>4,022,681</b>	<b>3,973,964</b>
Weed Control	SHORT TERM INVESTMENT POOL	1.000	12/31/10	934,257	934,257	934,257
	<b>WEED CONTROL TOTAL</b>			<b>4,988,257</b>	<b>4,956,938</b>	<b>4,908,221</b>
Tobacco Trust	TRUST FUNDS BOND POOL	1.000	12/31/09	78,946,000	78,507,870	76,217,250
	<b>TOTAL FIXED INCOME</b>			<b>78,946,000</b>	<b>78,507,870</b>	<b>76,217,250</b>
Tobacco Trust	SHORT TERM INVESTMENT POOL	1.000	12/31/10	493,197	493,197	493,197
	<b>TOBACCO TRUST TOTAL</b>			<b>79,439,197</b>	<b>79,001,066</b>	<b>76,710,447</b>
Coal Tax Cultural Trus	TRUST FUNDS BOND POOL	0.000	12/31/09	8,831,300	8,724,501	8,526,048
	<b>TOTAL FIXED INCOME</b>			<b>8,831,300</b>	<b>8,724,501</b>	<b>8,526,048</b>
Coal Tax Cultural Trus	SHORT TERM INVESTMENT POOL	1.000	12/31/10	59,180	59,180	59,180
	<b>COAL TAX CULTURAL TRUST TOTAL</b>			<b>8,890,480</b>	<b>8,783,681</b>	<b>8,585,229</b>
Treasure St Reg Water	TRUST FUNDS BOND POOL	0.000	12/31/09	32,894,600	32,597,004	31,757,606
	<b>TOTAL FIXED INCOME</b>			<b>32,894,600</b>	<b>32,597,004</b>	<b>31,757,606</b>
Treasure St Reg Water	SHORT TERM INVESTMENT POOL	1.000	12/31/10	317,196	317,196	317,196
	<b>TREASURE STATE WATER TOTAL</b>			<b>33,211,796</b>	<b>32,914,200</b>	<b>32,074,802</b>
Treasure State Endowr	TRUST FUNDS BOND POOL	0.000	12/31/09	143,000,200	141,852,468	138,057,432
	<b>TOTAL FIXED INCOME</b>			<b>143,000,200</b>	<b>141,852,468</b>	<b>138,057,432</b>
Treasure State Endowr	PERMANENT COAL TRUST	0.000	12/31/10	4,750,104	4,750,104	4,750,104
Treasure State Endowr	SHORT TERM INVESTMENT POOL	1.000	12/31/10	892,413	892,413	892,413
	<b>TREASURE STATE ENDOWMENT TOTAL</b>			<b>148,642,718</b>	<b>147,494,985</b>	<b>143,699,950</b>
Big Sky Econ Develop	TRUST FUNDS BOND POOL	1.000	12/31/09	28,755,500	28,849,327	27,761,573
	<b>TOTAL FIXED INCOME</b>			<b>28,755,500</b>	<b>28,849,327</b>	<b>27,761,573</b>
Big Sky Econ Develop	SHORT TERM INVESTMENT POOL	1.000	12/31/10	272,955	272,955	272,955
	<b>BIG SKY ECONOMIC DEVELOPMENT FUND TOTAL</b>			<b>29,028,455</b>	<b>29,122,282</b>	<b>28,034,528</b>
Zort/Land LT H20 Tru	UNITED STATES TRES SC STRP INT	0.000	11/15/17	4,200,000	2,516,015	2,473,519
	GOVERNMENT DIRECT-INDIRECT			4,200,000	2,516,015	2,473,519

**APPENDIX A - Securities Listings By Portfolios As Of June 30, 2007**

<b>Fund</b>	<b>Security Name</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Par/Shares</b>	<b>Book Value</b>	<b>Fair Value</b>
	<b>TOTAL FIXED INCOME</b>			<b>4,200,000</b>	<b>2,516,015</b>	<b>2,473,519</b>
Zort/Land LT H20 Tru	SHORT TERM INVESTMENT POOL	1.000	12/31/10	53,240	53,240	53,240
	<b>ZORTMAN/LANDUSKY LT H20 TRUST TOTAL</b>			<b>4,253,240</b>	<b>2,569,255</b>	<b>2,526,760</b>
Public Employees' Ret	RETIREMENT FUNDS BOND POOL	0.000	12/31/09	983,177,607	1,000,295,210	987,821,047
	<b>TOTAL FIXED INCOME</b>			<b>983,177,607</b>	<b>1,000,295,210</b>	<b>987,821,047</b>
Public Employees' Ret	BOZEMAN PROPERTY	0.000	12/31/10	1,036,944	1,036,944	1,041,007
Public Employees' Ret	CALIFORNIA STREET PROP	0.000	12/31/10	102,796	102,796	107,179
Public Employees' Ret	MT COLONIAL DRIVE	0.000	12/31/10	3,591,975	3,591,975	3,838,175
Public Employees' Ret	NINTH AVENUE	0.000	12/31/10	514,569	514,569	579,626
Public Employees' Ret	NORTH PARK AVENUE	0.000	12/31/10	3,426,197	3,426,197	3,250,437
	<b>DIRECT REAL ESTATE</b>			<b>8,672,480</b>	<b>8,672,480</b>	<b>8,816,423</b>
Public Employees' Ret	MONTANA REAL ESTATE POOL	0.000		779,877	78,213,000	79,459,123
	<b>REAL ESTATE TOTAL</b>			<b>9,452,357</b>	<b>86,885,480</b>	<b>88,275,546</b>
Public Employees' Ret	MONTANA PRIVATE EQUITY POOL	0.000		1,891,382	206,014,330	315,058,722
	<b>PRIVATE EQUITY</b>			<b>1,891,383</b>	<b>206,014,330</b>	<b>315,058,722</b>
Public Employees' Ret	MONTANA INTERNATIONAL POOL	0.000		4,152,606	406,553,000	818,362,199
Public Employees' Ret	MONTANA DOMESTIC EQUITY POOL	0.000		10,592,073	709,169,683	1,735,718,440
	<b>STOCK TOTAL</b>			<b>14,744,679</b>	<b>1,115,722,683</b>	<b>2,554,080,639</b>
	<b>TOTAL EQUITY</b>			<b>26,088,419</b>	<b>1,408,622,492</b>	<b>2,957,414,907</b>
Public Employees' Ret	MONTANA ST	0.000	12/31/10	37,172,266	37,172,266	36,860,707
	<b>TOTAL MORTGAGES/LOANS</b>			<b>37,172,266</b>	<b>37,172,266</b>	<b>36,860,707</b>
Public Employees' Ret	SHORT TERM INVESTMENT POOL	1.000	12/31/10	109,909,836	109,909,836	109,909,836
	<b>PUBLIC EMPLOYEES' RETIREMENT TOTAL</b>			<b>1,156,348,128</b>	<b>2,555,999,805</b>	<b>4,092,006,497</b>
Police Retirement	RETIREMENT FUNDS BOND POOL	0.000	12/31/09	50,934,981	51,975,633	51,175,541
	<b>TOTAL FIXED INCOME</b>			<b>50,934,981</b>	<b>51,975,633</b>	<b>51,175,541</b>
Police Retirement	MONTANA REAL ESTATE POOL	0.000		40,265	4,040,000	4,102,451
	<b>REAL ESTATE TOTAL</b>			<b>40,265</b>	<b>4,040,000</b>	<b>4,102,451</b>
Police Retirement	MONTANA PRIVATE EQUITY POOL	0.000		93,335	10,135,901	15,547,396
	<b>PRIVATE EQUITY</b>			<b>93,335</b>	<b>10,135,901</b>	<b>15,547,396</b>
Police Retirement	MONTANA INTERNATIONAL POOL	0.000		201,874	19,918,000	39,783,655
Police Retirement	MONTANA DOMESTIC EQUITY POOL	0.000		531,511	42,664,583	87,098,507
	<b>STOCK TOTAL</b>			<b>733,385</b>	<b>62,582,583</b>	<b>126,882,162</b>
	<b>TOTAL EQUITY</b>			<b>866,985</b>	<b>76,758,484</b>	<b>146,532,009</b>
Police Retirement	SHORT TERM INVESTMENT POOL	1.000	12/31/10	4,404,120	4,404,120	4,404,120
	<b>POLICE RETIREMENT TOTAL</b>			<b>56,206,085</b>	<b>133,138,238</b>	<b>202,111,670</b>
Game Wardens' Retire	RETIREMENT FUNDS BOND POOL	0.000	12/31/09	18,245,346	18,798,743	18,331,517
	<b>TOTAL FIXED INCOME</b>			<b>18,245,346</b>	<b>18,798,743</b>	<b>18,331,517</b>
Game Wardens' Retire	MONTANA REAL ESTATE POOL	0.000		13,777	1,382,000	1,403,713
	<b>REAL ESTATE TOTAL</b>			<b>13,777</b>	<b>1,382,000</b>	<b>1,403,713</b>
Game Wardens' Retire	MONTANA PRIVATE EQUITY POOL	0.000		33,001	3,731,885	5,497,113
	<b>PRIVATE EQUITY</b>			<b>33,001</b>	<b>3,731,885</b>	<b>5,497,113</b>
Game Wardens' Retire	MONTANA INTERNATIONAL POOL	0.000		72,786	7,671,561	14,344,125
Game Wardens' Retire	MONTANA DOMESTIC EQUITY POOL	0.000		189,677	15,712,287	31,082,349
	<b>STOCK TOTAL</b>			<b>262,464</b>	<b>23,383,848</b>	<b>45,426,474</b>
	<b>TOTAL EQUITY</b>			<b>309,241</b>	<b>28,497,733</b>	<b>52,327,300</b>
Game Wardens' Retire	SHORT TERM INVESTMENT POOL	1.000	12/31/10	2,535,589	2,535,589	2,535,589
	<b>GAME WARDENS' RETIREMENT TOTAL</b>			<b>21,090,177</b>	<b>49,832,066</b>	<b>73,194,406</b>
Sheriffs' Retirement	RETIREMENT FUNDS BOND POOL	0.000	12/31/09	49,317,820	50,185,901	49,550,742
	<b>TOTAL FIXED INCOME</b>			<b>49,317,820</b>	<b>50,185,901</b>	<b>49,550,742</b>
Sheriffs' Retirement	MONTANA REAL ESTATE POOL	0.000		37,257	3,737,000	3,796,030

## APPENDIX A - Securities Listings By Portfolios As Of June 30, 2007

<b>Fund</b>	<b>Security Name</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Par/Shares</b>	<b>Book Value</b>	<b>Fair Value</b>
Sheriffs' Retirement	REAL ESTATE TOTAL			37,257	3,737,000	3,796,030
Sheriffs' Retirement	MONTANA PRIVATE EQUITY POOL	0.000		89,200	9,679,194	14,858,605
Sheriffs' Retirement	PRIVATE EQUITY			89,200	9,679,194	14,858,605
Sheriffs' Retirement	MONTANA INTERNATIONAL POOL	0.000		192,841	19,027,000	38,003,530
Sheriffs' Retirement	MONTANA DOMESTIC EQUITY POOL	0.000		515,539	39,720,665	84,481,106
	STOCK TOTAL			708,380	58,747,665	122,484,636
	<b>TOTAL EQUITY</b>			<b>834,837</b>	<b>72,163,860</b>	<b>141,139,271</b>
Sheriffs' Retirement	SHORT TERM INVESTMENT POOL	1.000	12/31/10	5,526,425	5,526,425	5,526,425
<b>SHERIFFS' RETIREMENT TOTAL</b>				<b>55,679,082</b>	<b>127,876,186</b>	<b>196,216,438</b>
Judges' Retirement	RETIREMENT FUNDS BOND POOL	0.000	12/31/09	15,503,122	16,025,892	15,576,342
	<b>TOTAL FIXED INCOME</b>			<b>15,503,122</b>	<b>16,025,892</b>	<b>15,576,342</b>
Judges' Retirement	MONTANA REAL ESTATE POOL	0.000		11,834	1,187,000	1,205,723
Judges' Retirement	REAL ESTATE TOTAL			11,834	1,187,000	1,205,723
Judges' Retirement	MONTANA PRIVATE EQUITY POOL	0.000		28,480	3,005,161	4,744,137
Judges' Retirement	PRIVATE EQUITY			28,480	3,005,161	4,744,137
Judges' Retirement	MONTANA INTERNATIONAL POOL	0.000		61,715	5,995,000	12,162,381
Judges' Retirement	MONTANA DOMESTIC EQUITY POOL	0.000		160,784	11,248,202	26,347,685
	STOCK TOTAL			222,500	17,243,202	38,510,067
	<b>TOTAL EQUITY</b>			<b>262,814</b>	<b>21,435,363</b>	<b>44,459,926</b>
Judges' Retirement	SHORT TERM INVESTMENT POOL	1.000	12/31/10	1,769,768	1,769,768	1,769,768
<b>JUDGES' RETIREMENT TOTAL</b>				<b>17,535,705</b>	<b>39,231,024</b>	<b>61,806,036</b>
Highway Patrol Retiree	RETIREMENT FUNDS BOND POOL	0.000	12/31/09	25,775,679	26,419,009	25,897,415
	<b>TOTAL FIXED INCOME</b>			<b>25,775,679</b>	<b>26,419,009</b>	<b>25,897,415</b>
Highway Patrol Retiree	MONTANA REAL ESTATE POOL	0.000		19,674	1,973,000	2,004,487
	REAL ESTATE TOTAL			19,674	1,973,000	2,004,487
Highway Patrol Retiree	MONTANA PRIVATE EQUITY POOL	0.000		47,902	5,055,566	7,979,371
	PRIVATE EUQITY			47,902	5,055,566	7,979,371
Highway Patrol Retiree	MONTANA INTERNATIONAL POOL	0.000		104,087	10,165,957	20,512,696
Highway Patrol Retiree	MONTANA DOMESTIC EQUITY POOL	0.000		265,085	18,583,279	43,439,439
	STOCK TOTAL			369,173	28,749,236	63,952,135
	<b>TOTAL EQUITY</b>			<b>436,749</b>	<b>35,777,802</b>	<b>73,935,992</b>
Highway Patrol Retiree	SHORT TERM INVESTMENT POOL	1.000	12/31/10	2,784,661	2,784,661	2,784,661
<b>HIGHWAY PATROL RETIREMENT TOTAL</b>				<b>28,997,088</b>	<b>64,981,471</b>	<b>102,618,067</b>
Teachers' Retirement	RETIREMENT FUNDS BOND POOL	0.000	12/31/09	762,415,739	774,052,977	766,016,545
	<b>TOTAL FIXED INCOME</b>			<b>762,415,739</b>	<b>774,052,977</b>	<b>766,016,545</b>
Teachers' Retirement	BOZEMAN PROPERTY	0.000	12/31/10	1,036,944	1,036,944	1,041,007
Teachers' Retirement	CALIFORNIA STREET PROP	0.000	12/31/10	102,796	102,796	107,179
Teachers' Retirement	MT COLONIAL DRIVE	0.000	12/31/10	3,591,975	3,591,975	3,838,175
Teachers' Retirement	NORTH PARK AVENUE	0.000	12/31/10	3,426,197	3,426,197	3,250,437
	DIRECT REAL ESTATE			8,157,911	8,157,911	8,236,798
Teachers' Retirement	MONTANA REAL ESTATE POOL	0.000		601,464	60,321,000	61,281,197
	REAL ESTATE TOTAL			8,759,375	68,478,911	69,517,995
Teachers' Retirement	MONTANA PRIVATE EQUITY POOL	0.000		1,446,854	157,207,970	241,011,163
	PRIVATE EQUITY			1,446,854	157,207,970	241,011,163
Teachers' Retirement	MONTANA INTERNATIONAL POOL	0.000		3,193,357	311,631,000	629,321,268
Teachers' Retirement	MONTANA DOMESTIC EQUITY POOL	0.000		8,311,417	550,689,795	1,361,988,214
	STOCK TOTAL			11,504,774	862,320,795	1,991,309,481
	<b>TOTAL EQUITY</b>			<b>21,711,004</b>	<b>1,088,007,677</b>	<b>2,301,838,639</b>
Teachers' Retirement	MONTANA ST	0.000	12/31/10	31,665,264	31,665,264	31,399,861
	<b>TOTAL MORTGAGES/LOANS</b>			<b>31,665,264</b>	<b>31,665,264</b>	<b>31,399,861</b>
Teachers' Retirement	SHORT TERM INVESTMENT POOL	1.000	12/31/10	83,102,502	83,102,502	83,102,502

**APPENDIX A - Securities Listings By Portfolios As Of June 30, 2007**

Fund	Security Name	Coupon	Maturity	Par/Shares	Book Value	Fair Value
<b>TEACHERS' RETIREMENT TOTAL</b>				<b>898,894,509</b>	<b>1,976,828,420</b>	<b>3,182,357,548</b>
Vol. Firemen's Retiren	RETIREMENT FUNDS BOND POOL	0.000	12/31/09	6,511,424	6,746,070	6,542,177
	<b>TOTAL FIXED INCOME</b>			<b>6,511,424</b>	<b>6,746,070</b>	<b>6,542,177</b>
Vol. Firemen's Retiren	MONTANA REAL ESTATE POOL	0.000		4,945	496,000	503,866
	REAL ESTATE TOTAL			4,945	496,000	503,866
Vol. Firemen's Retiren	MONTANA PRIVATE EQUITY POOL	0.000		11,712	1,182,048	1,950,858
	PRIVATE EQUITY			11,712	1,182,048	1,950,858
Vol. Firemen's Retiren	MONTANA INTERNATIONAL POOL	0.000		26,682	2,656,823	5,258,371
Vol. Firemen's Retiren	MONTANA DOMESTIC EQUITY POOL	0.000		67,388	6,395,528	11,042,855
	STOCK TOTAL			94,071	9,052,351	16,301,226
	<b>TOTAL EQUITY</b>			<b>110,727</b>	<b>10,730,399</b>	<b>18,755,951</b>
Vol. Firemen's Retiren	SHORT TERM INVESTMENT POOL	1.000	12/31/10	2,193,510	2,193,510	2,193,510
<b>VOL. FIREMEN'S RETIREMENT TOTAL</b>				<b>8,815,661</b>	<b>19,669,979</b>	<b>27,491,637</b>
Firefighters' Retiremen	RETIREMENT FUNDS BOND POOL	0.000	12/31/09	48,583,562	49,613,912	48,813,017
	<b>TOTAL FIXED INCOME</b>			<b>48,583,562</b>	<b>49,613,912</b>	<b>48,813,017</b>
Firefighters' Retiremen	MONTANA REAL ESTATE POOL	0.000		36,751	3,686,000	3,744,412
	REAL ESTATE TOTAL			36,751	3,686,000	3,744,412
Firefighters' Retiremen	MONTANA PRIVATE EQUITY POOL	0.000		89,147	9,783,265	14,849,782
	PRIVATE EQUITY			89,147	9,783,265	14,849,782
Firefighters' Retiremen	MONTANA INTERNATIONAL POOL	0.000		192,054	19,071,000	37,848,457
Firefighters' Retiremen	MONTANA DOMESTIC EQUITY POOL	0.000		505,072	41,129,471	82,765,957
	STOCK TOTAL			697,126	60,200,471	120,614,414
	<b>TOTAL EQUITY</b>			<b>823,024</b>	<b>73,669,736</b>	<b>139,208,608</b>
Firefighters' Retiremen	SHORT TERM INVESTMENT POOL	1.000	12/31/10	4,488,168	4,488,168	4,488,168
<b>FIREFIGHTERS' RETIREMENT TOTAL</b>				<b>53,894,754</b>	<b>127,771,817</b>	<b>192,509,793</b>
U of M Other	TRUST FUNDS BOND POOL	1.000	12/31/09	5,487,900	5,552,921	5,298,212
	<b>TOTAL FIXED INCOME</b>			<b>5,487,900</b>	<b>5,552,921</b>	<b>5,298,212</b>
U of M Other	MONTANA DOMESTIC EQUITY POOL	0.000		7,063	531,639	1,157,355
	STOCK TOTAL			7,063	531,639	1,157,355
	<b>TOTAL EQUITY</b>			<b>7,063</b>	<b>531,639</b>	<b>1,157,355</b>
U of M Other	SHORT TERM INVESTMENT POOL	1.000	12/31/10	36,519,883	36,519,883	36,519,883
<b>U OF M OTHER TOTAL</b>				<b>42,014,846</b>	<b>42,604,444</b>	<b>42,975,450</b>
MT Tech UM Agency	TRUST FUNDS BOND POOL	1.000	12/31/09	445,100	458,450	429,715
	<b>TOTAL FIXED INCOME</b>			<b>445,100</b>	<b>458,450</b>	<b>429,715</b>
MT Tech UM Agency	SHORT TERM INVESTMENT POOL	1.000	12/31/10	3,444,197	3,444,197	3,444,197
<b>MT TECH UM AGENCY FUND TOTAL</b>				<b>3,889,297</b>	<b>3,902,647</b>	<b>3,873,912</b>
MSU Agency Funds	TRUST FUNDS BOND POOL	1.000	12/31/09	14,938,500	14,999,130	14,422,154
	<b>TOTAL FIXED INCOME</b>			<b>14,938,500</b>	<b>14,999,130</b>	<b>14,422,154</b>
MSU Agency Funds	SHORT TERM INVESTMENT POOL	1.000	12/31/10	49,792,100	49,792,100	49,792,100
<b>MSU AGENCY FUNDS TOTAL</b>				<b>64,730,600</b>	<b>64,791,230</b>	<b>64,214,254</b>
				<b>6,027,689,155</b>	<b>8,838,546,557</b>	<b>11,887,342,916</b>

**Total Fund Historical Book Balances, Income, and Income Return**

<u>Year</u>	<u>Year-End \$ Balances</u>	<u>Annual \$ Increase</u>	<u>Annual \$ Income</u>	<u>Annual % Incr.</u>	<u>Income %Return</u>
<i>Average Annual Balance Increase</i>		<i>334,631,060</i>		<i>10.9</i>	
2007	12,033,078,986	1,381,477,306	585,050,911	13.0	5.16
2006	10,651,601,681	885,735,101	399,995,799	9.1	3.92
2005	9,765,866,580	787,273,910	360,929,390	8.8	3.85
2004	8,978,592,670	457,255,647	472,538,954	5.4	5.40
2003	8,521,337,023	(24,684,663)	394,899,778	(0.3)	4.63
2002	8,546,021,686	147,775,828	417,327,390	1.8	4.93
2001	8,398,245,858	658,923,289	570,461,812	8.5	7.07
2000	7,739,322,569	693,439,982	447,627,517	9.8	6.06
1999	7,045,882,586	463,293,558	415,348,813	7.0	6.10
1998	6,582,589,029	686,850,999	403,985,459	11.6	6.47
1997	5,895,738,030	267,508,710	384,866,212	4.8	6.68
1996	5,628,229,319	605,461,292	369,439,052	12.1	6.94
1995	5,022,768,027	250,748,706	311,952,313	5.3	6.37
1994	4,772,019,321	480,559,669	302,093,612	11.2	6.67
1993	4,291,459,652	492,251,338	325,722,769	13.0	8.05
1992	3,799,208,314	355,765,056	307,462,334	10.3	8.49
1991	3,443,443,258	246,482,405	296,946,028	7.7	8.94
1990	3,196,960,853	288,091,626	295,081,958	9.9	9.67
1989	2,908,869,227	280,122,753	269,244,243	10.7	9.72
1988	2,628,746,474	235,709,041	241,658,140	9.8	9.62
1987	2,393,037,433	233,749,895	239,583,020	10.8	10.53
1986	2,159,287,538	170,672,805	241,937,271	8.6	11.67
1985	1,988,614,733	206,311,756	213,464,258	11.6	11.32
1984	1,782,302,977	235,104,098	186,457,609	15.2	11.20
1983	1,547,198,879	178,461,561	164,390,784	13.0	11.28
1982	1,368,737,318	212,737,071	154,789,542	18.4	12.26
1981	1,156,000,247	126,611,696	114,119,374	12.3	10.44
1980	1,029,388,551	138,857,798	86,842,796	15.6	9.05
1979	890,530,753	94,217,581	65,520,161	11.8	7.77
1978	796,313,172	88,666,884	54,276,875	12.5	7.22
1977	707,646,288	80,721,049	47,313,627	12.9	7.09
1976	626,925,239	89,088,506	41,459,770	16.6	7.12
1975	537,836,733	70,390,182	37,118,312	15.1	7.38
1974	467,446,551	86,059,140	29,439,170	22.6	6.94
1973	381,387,411	60,395,524	20,367,231	18.8	5.80
1972	320,991,887		16,132,196		5.46

**PERS Historical Book Balances, Income, and Income Return**

<u>Year</u>	<u>Year-End \$ Balances</u>	<u>Annual \$ Increase</u>	<u>Annual \$ Income</u>	<u>Annual % Incr.</u>	<u>Income %Return</u>
<i>Average Annual Balance Increase</i>		<i>70,741,272</i>		<i>10.4</i>	
2007	<b>2,555,999,805</b>	<b>123,952,467</b>	<b>171,887,613</b>	<b>5.1</b>	<b>6.89</b>
2006	<b>2,432,047,337</b>	<b>92,178,323</b>	<b>108,147,805</b>	<b>3.9</b>	<b>4.53</b>
2005	<b>2,339,869,014</b>	<b>63,948,447</b>	<b>93,137,953</b>	<b>2.8</b>	<b>4.04</b>
2004	<b>2,275,920,567</b>	<b>129,832,585</b>	<b>157,174,263</b>	<b>6.0</b>	<b>7.11</b>
2003	<b>2,146,087,982</b>	<b>71,237,880</b>	<b>114,127,866</b>	<b>3.4</b>	<b>5.41</b>
2002	<b>2,074,850,102</b>	<b>106,785,197</b>	<b>107,865,330</b>	<b>5.4</b>	<b>5.34</b>
2001	<b>1,968,064,905</b>	<b>170,773,454</b>	<b>170,918,237</b>	<b>9.5</b>	<b>9.08</b>
2000	<b>1,797,291,451</b>	<b>112,876,555</b>	<b>125,474,099</b>	<b>6.7</b>	<b>7.21</b>
1999	<b>1,684,414,896</b>	<b>105,784,616</b>	<b>112,867,195</b>	<b>6.7</b>	<b>6.92</b>
1998	<b>1,578,630,280</b>	<b>106,522,015</b>	<b>111,445,739</b>	<b>7.2</b>	<b>7.31</b>
1997	<b>1,472,108,266</b>	<b>111,355,981</b>	<b>110,533,498</b>	<b>8.2</b>	<b>7.80</b>
1996	<b>1,360,752,285</b>	<b>100,819,152</b>	<b>102,873,163</b>	<b>8.0</b>	<b>7.85</b>
1995	<b>1,259,933,133</b>	<b>83,895,411</b>	<b>83,425,354</b>	<b>7.1</b>	<b>6.85</b>
1994	<b>1,176,037,722</b>	<b>88,830,571</b>	<b>87,660,863</b>	<b>8.2</b>	<b>7.75</b>
1993	<b>1,087,207,151</b>	<b>103,262,368</b>	<b>95,914,874</b>	<b>10.5</b>	<b>9.26</b>
1992	<b>983,944,783</b>	<b>88,442,271</b>	<b>85,428,480</b>	<b>9.9</b>	<b>9.09</b>
1991	<b>895,502,511</b>	<b>86,322,266</b>	<b>79,719,985</b>	<b>10.7</b>	<b>9.35</b>
1990	<b>809,180,245</b>	<b>73,974,823</b>	<b>77,847,393</b>	<b>10.1</b>	<b>10.08</b>
1989	<b>735,205,422</b>	<b>71,140,882</b>	<b>72,003,023</b>	<b>10.7</b>	<b>10.29</b>
1988	<b>664,064,540</b>	<b>61,353,155</b>	<b>64,036,322</b>	<b>10.2</b>	<b>10.11</b>
1987	<b>602,711,385</b>	<b>73,745,575</b>	<b>63,439,745</b>	<b>13.9</b>	<b>11.21</b>
1986	<b>528,965,810</b>	<b>67,608,025</b>	<b>58,693,664</b>	<b>14.7</b>	<b>11.85</b>
1985	<b>461,357,785</b>	<b>57,520,058</b>	<b>47,403,616</b>	<b>14.2</b>	<b>10.96</b>
1984	<b>403,837,727</b>	<b>50,640,947</b>	<b>40,615,456</b>	<b>14.3</b>	<b>10.73</b>
1983	<b>353,196,780</b>	<b>48,909,250</b>	<b>34,958,940</b>	<b>16.1</b>	<b>10.63</b>
1982	<b>304,287,530</b>	<b>33,579,211</b>	<b>28,815,109</b>	<b>12.4</b>	<b>10.02</b>
1981	<b>270,708,319</b>	<b>26,408,693</b>	<b>23,489,723</b>	<b>10.8</b>	<b>9.12</b>
1980	<b>244,299,626</b>	<b>29,277,738</b>	<b>19,321,321</b>	<b>13.6</b>	<b>8.41</b>
1979	<b>215,021,888</b>	<b>28,633,695</b>	<b>16,357,252</b>	<b>15.4</b>	<b>8.15</b>
1978	<b>186,388,193</b>	<b>25,532,853</b>	<b>13,520,389</b>	<b>15.9</b>	<b>7.79</b>
1977	<b>160,855,340</b>	<b>21,732,482</b>	<b>11,361,593</b>	<b>15.6</b>	<b>7.57</b>
1976	<b>139,122,858</b>	<b>19,833,635</b>	<b>9,641,522</b>	<b>16.6</b>	<b>7.46</b>
1975	<b>119,289,223</b>	<b>15,815,377</b>	<b>7,593,641</b>	<b>15.3</b>	<b>6.82</b>
1974	<b>103,473,846</b>	<b>12,710,258</b>	<b>6,351,974</b>	<b>14.0</b>	<b>6.54</b>
1973	<b>90,763,588</b>	<b>10,708,308</b>	<b>5,471,314</b>	<b>13.4</b>	<b>6.41</b>
1972	<b>80,055,280</b>		<b>4,566,690</b>		<b>6.09</b>

**TRS Historical Book Balances, Income, and Income Return**

<u>Year</u>	<u>Year-End \$ Balances</u>	<u>Annual \$ Increase</u>	<u>Annual \$ Income</u>	<u>Annual % Incr.</u>	<u>Income %Return</u>
<i>Average Annual Balance Increase</i>		<i>54,394,104</i>		<i>9.9</i>	
2007	1,976,828,420	106,835,681	130,229,621	5.7	6.77
2006	1,869,992,739	106,327,154	71,050,251	6.0	3.91
2005	1,763,665,585	21,099,089	75,845,392	1.2	4.33
2004	1,742,566,496	83,777,665	129,319,390	5.1	7.60
2003	1,658,788,831	41,959,040	95,580,408	2.6	5.84
2002	1,616,829,791	63,244,376	93,575,646	4.1	5.90
2001	1,553,585,415	116,367,847	152,363,493	8.1	10.19
2000	1,437,217,568	82,198,204	102,257,693	6.1	7.32
1999	1,355,019,364	67,803,208	92,826,763	5.3	7.03
1998	1,287,216,156	75,053,541	91,673,149	6.2	7.34
1997	1,212,162,615	87,081,006	92,197,958	7.7	7.89
1996	1,125,081,609	78,827,109	85,368,503	7.5	7.86
1995	1,046,254,500	72,939,312	73,018,070	7.5	7.23
1994	973,315,188	71,749,470	72,973,821	8.0	7.78
1993	901,565,718	89,220,933	78,687,668	11.0	9.18
1992	812,344,785	75,529,049	70,469,210	10.3	9.10
1991	736,815,736	74,733,955	65,948,441	11.3	9.43
1990	662,081,781	62,484,325	63,628,096	10.4	10.09
1989	599,597,456	60,465,431	58,607,895	11.2	10.29
1988	539,132,025	54,915,708	51,714,157	11.3	10.11
1987	484,216,317	69,184,764	49,117,437	16.7	10.92
1986	415,031,553	55,364,281	45,425,369	15.4	11.73
1985	359,667,272	51,074,593	36,036,654	16.6	10.79
1984	308,592,679	43,299,873	30,222,754	16.3	10.53
1983	265,292,806	32,138,199	25,772,023	13.8	10.34
1982	233,154,607	20,177,836	21,717,577	9.5	9.74
1981	212,976,771	20,686,541	18,108,545	10.8	8.94
1980	192,290,230	20,009,545	14,936,461	11.6	8.19
1979	172,280,685	19,350,005	13,272,323	12.7	8.16
1978	152,930,680	17,406,858	11,098,439	12.8	7.70
1977	135,523,822	16,820,305	9,405,270	14.2	7.40
1976	118,703,517	15,506,452	8,076,379	15.0	7.28
1975	103,197,065	10,132,831	6,702,284	10.9	6.83
1974	93,064,234	8,920,253	5,963,267	10.6	6.73
1973	84,143,981	11,109,208	5,075,899	15.2	6.46
1972	73,034,773		4,402,802		6.39

**Coal Tax Trust Fund Historical Book Balances, Income, and Income Return**

<u>Year</u>	<u>Year-End \$ Balances</u>	<u>Annual \$ Increase</u>	<u>Annual \$ Income</u>	<u>Annual % Incr.</u>	<u>Income %Return</u>
<i>Average Annual Balance Increase</i>		<i>25,389,564</i>		<i>17.9</i>	
2007	742,559,729	17,366,989	44,489,170	2.4	6.06
2006	725,192,740	16,820,998	41,757,043	2.4	5.83
2005	708,371,742	17,146,953	46,169,407	2.5	6.60
2004	691,224,790	13,211,240	44,170,843	1.9	6.45
2003	678,013,550	14,230,928	44,313,873	2.1	6.61
2002	663,782,622	13,720,298	45,049,799	2.1	6.86
2001	650,062,324	13,310,993	44,342,611	2.1	6.89
2000	636,751,331	22,134,147	44,308,988	3.6	7.08
1999	614,617,184	11,643,713	45,531,774	1.9	7.48
1998	602,973,471	16,194,141	44,918,922	2.8	7.55
1997	586,779,330	23,795,447	44,918,922	4.2	7.81
1996	562,983,883	15,973,100	44,376,465	2.9	8.00
1995	547,010,783	15,576,784	38,341,049	2.9	7.11
1994	531,433,999	19,416,428	43,012,532	3.8	8.24
1993	512,017,571	19,027,837	51,246,095	3.9	10.20
1992	492,989,734	18,731,378	47,594,422	3.9	9.84
1991	474,258,356	27,246,023	46,327,632	6.1	10.06
1990	447,012,333	35,228,274	45,785,254	8.6	10.66
1989	411,784,059	30,880,710	41,508,302	8.1	10.47
1988	380,903,349	41,062,015	35,294,692	12.1	9.79
1987	339,841,334	38,367,530	37,468,144	12.7	11.68
1986	301,473,804	49,052,410	38,475,175	19.4	13.89
1985	252,421,394	49,765,895	29,247,622	24.6	12.85
1984	202,655,499	44,076,324	24,105,342	27.8	13.35
1983	158,579,175	41,433,379	19,626,992	35.4	14.24
1982	117,145,796	42,617,964	13,233,786	57.2	13.81
1981	74,527,832	34,579,927	6,492,082	86.6	11.34
1980	39,947,905	23,040,483	2,619,380	136.3	9.21
1979	16,907,422	10,645,052	950,026	170.0	8.20
1978	6,262,370		177,366		NA

**Trust and Legacy Fund Historical Book Balances, Income, and Income Return**

<u>Year</u>	<u>Year-End \$ Balances</u>	<u>Annual \$ Increase</u>	<u>Annual \$ Income</u>	<u>Annual % Incr.</u>	<u>Income %Return</u>
<i>Average Annual Balance Increase</i>		<i>10,443,006</i>		<i>5.6</i>	
2007	428,153,530	4,999,795	26,474,491	1.2	6.22
2006	423,153,735	12,499,798	24,836,368	3.0	5.96
2005	410,653,937	-	28,375,979	0.0	6.91
2004	410,653,937	99,967	30,140,513	0.0	7.34
2003	410,553,970	(4,348,424)	29,215,115	(1.0)	7.08
2002	414,902,395	48,679,980	29,772,669	13.3	7.62
2001	366,222,415	11,759,523	26,219,151	3.3	7.28
2000	354,462,892	9,744,112	25,470,629	2.8	7.29
1999	344,718,781	8,419,172	26,263,226	2.5	7.71
1998	336,299,609	11,091,289	25,927,613	3.4	7.84
1997	325,208,320	9,713,224	24,473,449	3.1	7.64
1996	315,495,096	20,199,818	25,828,860	6.8	8.46
1995	295,295,278	10,150,565	23,149,117	3.6	7.98
1994	285,144,713	10,913,173	25,970,470	4.0	9.29
1993	274,231,540	7,937,366	30,069,820	3.0	11.13
1992	266,294,174	14,462,111	27,169,293	5.7	10.49
1991	251,832,063	17,495,864	25,950,710	7.5	10.68
1990	234,336,199	11,730,261	24,874,021	5.3	10.89
1989	222,605,938	14,200,044	23,942,716	6.8	11.11
1988	208,405,894	12,245,758	21,509,513	6.2	10.63
1987	196,160,136	8,677,947	23,295,649	4.6	12.14
1986	187,482,189	13,983,199	23,755,608	8.1	13.16
1985	173,498,990	12,133,321	19,358,472	7.5	11.56
1984	161,365,669	11,781,056	17,541,642	7.9	11.28
1983	149,584,613	16,377,726	16,136,589	12.3	11.41
1982	133,206,887	9,765,918	13,334,761	7.9	10.39
1981	123,440,969	14,491,921	10,771,441	13.3	9.27
1980	108,949,048	11,966,982	8,173,411	12.3	7.94
1979	96,982,066	9,691,121	6,813,640	11.1	7.40
1978	87,290,945	9,221,849	5,902,955	11.8	7.14
1977	78,069,096	6,766,268	5,244,983	9.5	7.02
1976	71,302,828	4,295,066	4,543,390	6.4	6.57
1975	67,007,762	2,743,989	3,712,287	4.3	5.66
1974	64,263,773	(658,629)	3,495,629	(1.0)	5.41
1973	64,922,402	2,274,069	3,373,031	3.6	5.29
1972	62,648,333		2,666,280		4.31

**Resource Indemnity Fund Historical Book Balances, Income, and Income Return**

<u>Year</u>	<u>Year-End \$ Balances</u>	<u>Annual \$ Increase</u>	<u>Annual \$ Income</u>	<u>Annual % Incr.</u>	<u>Income %Return</u>
<i>Average Annual Balance Increase</i>		<i>2,997,726</i>		<i>14.7</i>	
2007	<b>100,023,109</b>	<b>0</b>	<b>6,220,240</b>	<b>0.0</b>	<b>6.22</b>
2006	<b>100,023,109</b>	<b>(231,735)</b>	<b>5,915,562</b>	<b>(0.2)</b>	<b>5.91</b>
2005	<b>100,254,844</b>	<b>254,068</b>	<b>6,901,925</b>	<b>0.3</b>	<b>6.89</b>
2004	<b>100,000,776</b>	<b>(189)</b>	<b>7,380,241</b>	<b>(0.0)</b>	<b>7.38</b>
2003	<b>100,000,965</b>	<b>(1,506,659)</b>	<b>7,174,343</b>	<b>(1.5)</b>	<b>7.12</b>
2002	<b>101,507,624</b>	<b>1,731,043</b>	<b>7,320,563</b>	<b>1.7</b>	<b>7.27</b>
2001	<b>99,776,581</b>	<b>333,491</b>	<b>7,305,992</b>	<b>0.3</b>	<b>7.33</b>
2000	<b>99,443,090</b>	<b>3,263,413</b>	<b>7,200,280</b>	<b>3.4</b>	<b>7.36</b>
1999	<b>96,179,677</b>	<b>761,624</b>	<b>7,528,795</b>	<b>0.8</b>	<b>7.86</b>
1998	<b>95,418,053</b>	<b>1,077,039</b>	<b>7,555,620</b>	<b>1.1</b>	<b>7.96</b>
1997	<b>94,341,015</b>	<b>1,517,077</b>	<b>7,318,083</b>	<b>1.6</b>	<b>7.82</b>
1996	<b>92,823,938</b>	<b>2,180,282</b>	<b>7,959,842</b>	<b>2.4</b>	<b>8.68</b>
1995	<b>90,643,656</b>	<b>747,988</b>	<b>6,380,294</b>	<b>0.8</b>	<b>7.07</b>
1994	<b>89,895,668</b>	<b>2,529,018</b>	<b>8,241,711</b>	<b>2.9</b>	<b>9.30</b>
1993	<b>87,366,650</b>	<b>4,737,267</b>	<b>8,715,126</b>	<b>5.7</b>	<b>10.25</b>
1992	<b>82,629,383</b>	<b>4,721,885</b>	<b>8,245,913</b>	<b>6.1</b>	<b>10.27</b>
1991	<b>77,907,497</b>	<b>4,467,644</b>	<b>8,097,553</b>	<b>6.1</b>	<b>10.70</b>
1990	<b>73,439,854</b>	<b>6,687,357</b>	<b>7,473,283</b>	<b>10.0</b>	<b>10.66</b>
1989	<b>66,752,497</b>	<b>4,507,782</b>	<b>6,941,486</b>	<b>7.2</b>	<b>10.76</b>
1988	<b>62,244,715</b>	<b>5,170,017</b>	<b>6,066,172</b>	<b>9.1</b>	<b>10.17</b>
1987	<b>57,074,698</b>	<b>4,015,025</b>	<b>7,205,821</b>	<b>7.6</b>	<b>13.09</b>
1986	<b>53,059,673</b>	<b>6,090,898</b>	<b>6,548,573</b>	<b>13.0</b>	<b>13.09</b>
1985	<b>46,968,775</b>	<b>4,693,048</b>	<b>5,509,892</b>	<b>11.1</b>	<b>12.35</b>
1984	<b>42,275,727</b>	<b>6,626,874</b>	<b>4,509,923</b>	<b>18.6</b>	<b>11.58</b>
1983	<b>35,648,853</b>	<b>7,692,479</b>	<b>4,021,028</b>	<b>27.5</b>	<b>12.64</b>
1982	<b>27,956,374</b>	<b>7,225,741</b>	<b>2,544,162</b>	<b>34.9</b>	<b>10.45</b>
1981	<b>20,730,633</b>	<b>4,537,059</b>	<b>1,767,418</b>	<b>28.0</b>	<b>9.57</b>
1980	<b>16,193,574</b>	<b>3,631,669</b>	<b>1,243,397</b>	<b>28.9</b>	<b>8.65</b>
1979	<b>12,561,905</b>	<b>1,924,348</b>	<b>956,045</b>	<b>18.1</b>	<b>8.24</b>
1978	<b>10,637,557</b>	<b>2,422,688</b>	<b>754,068</b>	<b>29.5</b>	<b>8.00</b>
1977	<b>8,214,869</b>	<b>2,672,848</b>	<b>532,922</b>	<b>48.2</b>	<b>7.75</b>
1976	<b>5,542,021</b>	<b>2,262,360</b>	<b>321,782</b>	<b>69.0</b>	<b>7.30</b>
1975	<b>3,279,661</b>	<b>2,181,518</b>	<b>96,126</b>	<b>198.7</b>	<b>4.39</b>
1974	<b>1,098,143</b>		<b>3,485</b>		<b>NA</b>

**Parks/Cultural Trust Funds Historical Book Balances, Income, and Income Return**

<u>Year</u>	<u>Year-End \$ Balances</u>	<u>Annual \$ Increase</u>	<u>Annual \$ Income</u>	<u>Annual % Incr.</u>	<u>Income %Return</u>
<i>Average Annual Balance Increase</i>		<i>853,389</i>		<i>15.9</i>	
2007	26,733,218	1,157,757	1,571,129	4.5	6.01
2006	25,575,461	3,874,124	1,418,867	17.9	6.00
2005	21,701,337	823,199	1,418,436	3.9	6.66
2004	20,878,139	471,296	1,466,131	2.3	7.10
2003	20,406,842	(60,541)	1,429,181	(0.3)	6.99
2002	20,467,384	1,094,498	1,411,317	5.6	7.08
2001	19,372,886	897,953	1,369,148	4.9	7.24
2000	18,474,933	277,660	1,328,128	1.5	7.24
1999	18,197,273	143,496	1,381,258	0.8	7.62
1998	18,053,777	786,529	1,373,997	4.6	7.78
1997	17,267,248	(3,328,466)	1,505,353	(16.2)	7.95
1996	20,595,714	585,498	1,620,819	2.9	7.98
1995	20,010,216	(256,515)	1,479,603	(1.3)	7.35
1994	20,266,731	155,683	1,527,827	0.8	7.57
1993	20,111,048	1,211,787	1,851,220	6.4	9.49
1992	18,899,261	71,481	2,072,292	0.4	10.99
1991	18,827,780	867,833	1,895,380	4.8	10.30
1990	17,959,947	1,334,564	1,878,213	8.0	10.86
1989	16,625,383	(925)	1,812,862	(0.0)	10.90
1988	16,626,308	299,147	1,713,180	1.8	10.40
1987	16,327,161	142,998	1,836,570	0.9	11.30
1986	16,184,163	2,318,634	2,482,341	16.7	16.52
1985	13,865,529	2,357,908	1,628,262	20.5	12.83
1984	11,507,621	2,026,260	1,138,911	21.4	10.85
1983	9,481,361	2,001,547	941,225	26.8	11.10
1982	7,479,814	2,154,736	857,069	40.5	13.39
1981	5,325,078	1,760,617	518,146	49.4	11.66
1980	3,564,461	2,089,194	276,134	141.6	10.96
1979	1,475,267	301,781	107,070	25.7	8.08
1978	1,173,486	415,871	67,614	54.9	7.00
1977	757,615	479,465	33,227	172.4	6.42
1976	278,150		5,004		NA

**Treasurer's Fund Historical Book Balances, Income, and Income Return**

<u>Year</u>	<u>Year-End \$ Balances</u>	<u>Annual \$ Increase</u>	<u>Annual \$ Income</u>	<u>Annual % Incr.</u>	<u>Income %Return</u>
<i>Average Annual Balance Increase</i>		<i>24,060,077</i>		<i>8.1</i>	
2007	901,274,462	138,977,434	33,951,447	18.2	4.08
2006	762,297,028	127,821,864	18,631,288	20.1	2.67
2005	634,475,164	193,239,558	10,046,532	43.8	1.87
2004	441,235,606	93,732,911	6,392,992	27.0	1.62
2003	347,502,695	21,932,553	6,366,439	6.7	1.89
2002	325,570,142	(92,198,060)	12,440,828	(22.1)	4.54
2001	417,768,202	(21,626,740)	20,771,980	(4.9)	6.21
2000	439,394,942	44,935,239	15,526,493	11.4	5.11
1999	394,459,703	58,729,353	17,041,259	17.5	5.49
1998	335,730,350	46,229,002	17,276,565	16.0	5.82
1997	289,501,348	(116,879,353)	14,499,914	(28.8)	5.00
1996	406,380,701	130,573,055	15,869,477	47.3	5.04
1995	275,807,646	(55,486,611)	16,161,064	(16.7)	5.29
1994	331,294,257	75,980,006	11,486,172	29.8	3.77
1993	255,314,251	49,497,122	12,916,816	24.0	4.50
1992	205,817,129	(87,133,254)	16,504,585	(29.7)	7.02
1991	292,950,383	(62,810,336)	22,536,484	(17.7)	7.91
1990	355,760,719	62,711,613	26,351,179	21.4	8.37
1989	293,049,106	75,093,422	21,294,365	34.5	7.99
1988	217,955,684	497,584	15,406,342	0.2	6.79
1987	217,458,100	16,766,997	12,759,394	8.4	5.49
1986	200,691,103	(54,516,631)	13,215,592	(21.4)	6.42
1985	255,207,734	24,465,129	24,920,025	10.6	9.85
1984	230,742,605	1,456,166	23,048,654	0.6	10.45
1983	229,286,439	(56,554,692)	28,477,046	(19.8)	10.29
1982	285,841,131	38,330,194	42,501,636	15.5	13.57
1981	247,510,937	32,810,117	29,020,120	15.3	12.05
1980	214,700,820	12,827,050	21,341,613	6.4	10.51
1979	201,873,770	16,449,453	12,982,433	8.9	8.41
1978	185,424,317	13,016,569	10,827,779	7.5	6.88
1977	172,407,748	11,796,744	9,789,327	7.3	6.28
1976	160,611,004	5,757,912	10,458,037	3.7	6.74
1975	154,853,092	21,984,238	12,135,349	16.5	8.59
1974	132,868,854	50,478,772	8,340,038	61.3	8.66
1973	82,390,082	23,218,332	3,385,647	39.2	5.28
1972	59,171,750		1,507,755		4.63



**STATE OF MONTANA BOARD OF INVESTMENTS**  
**CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**  
**STATEMENT OF NET ASSET VALUE JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Cash	\$ 7,340,174	\$ 4,455,277
Security lending cash collateral (Note 5)	462,969,574	226,193,385
Broker receivable for securities sold but not settled (Note 2B)	14,706,862	4,525,414
Dividend and interest receivable (Note 2E)	95,054,226	49,672,385
STIP Investment portfolio at amortized cost (Note 2B)	2,789,738,734	2,190,772,793
Investment portfolios at fair value (Note 2B)	<u>9,199,895,094</u>	<u>7,976,280,020</u>
<b>Total assets (Note 2B)</b>	<b>\$ 12,569,704,664</b>	<b>\$ 10,451,899,274</b>
<b>Liabilities</b>		
Income due participants (Notes 2E)	\$ 34,290,689	\$ 22,764,985
Broker payable for securities purchased but not settled (Note 2B)	62,138,718	4,709,925
Security lending obligations (Note 5)	462,969,574	226,193,384
Security lending expense payable	1,932,668	960,901
Unrealized foreign exchange market gain (loss)	(82,281)	4,965
Administrative fee payable	<u>3,437,740</u>	<u>295,474</u>
<b>Total liabilities (Note 2B)</b>	<b><u>564,687,108</u></b>	<b><u>254,929,634</u></b>
<b>Net asset value (Note 2B )</b>	<b><u>\$ 12,005,017,556</u></b>	<b><u>\$ 10,196,969,640</u></b>
Units Outstanding (Note 2B)	2,861,083,078	2,266,072,878
<b>STATEMENT OF CHANGES IN NET ASSET VALUE FOR FISCAL YEARS ENDING JUNE 30, 2007 AND 2007</b>		
Net asset value, beginning of year	\$ 10,196,969,640	\$ 9,211,868,922
Value of units purchased by participants (Note 2D)	8,205,929,680	7,277,536,756
Value of units sold by participants (Note 2D)	(7,314,195,416)	(6,601,767,971)
Changes in current value of investments managed (Note2D)	<u>916,313,653</u>	<u>309,331,933</u>
<b>Net asset value, end of year</b>	<b><u>\$ 12,005,017,556</u></b>	<b><u>\$ 10,196,969,640</u></b>
<b>STATEMENT OF INVESTMENT INCOME and DISTRIBUTION FOR FISCAL YEARS ENDED JUNE 30, 2007 AND 2006</b>		
Net realized gains (Note 2E)	\$ 11,278,625	\$ 3,386,041
Dividend/Interest income (Note 2E)	280,878,955	233,367,618
Amortization/accretion (Note 2E)	95,549,702	70,013,774
Security lending income	17,473,253	15,723,427
Security lending expense	(16,631,540)	(15,403,112)
Administrative expenses (Note 2F)	(20,288,200)	(10,239,411)
Other expenses	(873,556)	(402,453)
Income due participants, beginning of year	<u>22,764,985</u>	<u>22,791,183</u>
Income available for distribution (Note2E)	390,152,224	319,237,067
Distribution (Note 2E)	<u>355,861,535</u>	<u>296,472,082</u>
Income due participants, end of year (Note 2E)	<b><u>\$ 34,290,689</u></b>	<b><u>\$ 22,764,985</u></b>

The accompanying notes are an integral part of these financial statements.

**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

**1. HISTORY AND ORGANIZATION**

The Board was created by the Legislature to manage the Unified Investment Program created by the state Constitution. The Investment Program is comprised of all state funds, including pensions, trusts, insurance, and cash. Local government entities may only invest in the Short Term Investment Pool portion of the Program. The Board manages the Investment Program pursuant to the "Prudent Expert Principle" mandated by state law, which requires an investment manager to:

- (a) discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims;
- (b) diversify the holdings of each fund within the unified investment program to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so; and
- (c) discharge the duties solely in the interest of and for the benefit of the funds forming the unified investment program.

Currently, only the nine retirement funds and the Montana State Fund (Workers' Compensation) may invest in stock. All other state funds must be invested in fixed-income type investments. Neither state law nor the state Constitution place restrictions on retirement fund investments. The funds are invested solely at the discretion of the Board pursuant to the "Prudent Expert Principle."

To facilitate management of the Investment Program, the Board has created seven investment pools (Pools) that operate similar to mutual funds. All state agencies and many local government entities participate in one or more Pools. By investing in large Pools with other participants the smaller participants are provided broad diversification that would not otherwise be possible. Some Pools are dedicated solely to the state's nine retirement funds, while others are open to other state and local government funds. The Pool creation date and the types of eligible participants for each Pool are shown below.

**Eligible Participants**

<b><u>Pool Name</u></b>	<b><u>Created</u></b>	<b><u>Participants</u></b>
Retirement Funds Bond Pool (RFBP)	04/01/95	Nine Retirement Funds Only
Trust Funds Bond Pool (TFBP)	10/01/95	Various State Trust Funds
Montana Domestic Equity Pool (MDEP)	07/01/80	Nine Retirement Funds/Small Trusts
Montana International Equity Pool (MTIP)	06/01/96	Nine Retirement Funds Only
Montana Private Equity Pool (MPEP)	05/01/02	Nine Retirement Funds Only
Montana Real Estate Pool (MTRP)	06/01/06	Nine Retirement Funds Only
Short Term Investment Pool (STIP)	07/01/74	All State Funds & Local Governments

Any investments not held in the pools are included in the "All Other Funds" financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Valuation & Timing – The value of stocks and bonds are recorded at both "book" and "fair" value. The book value of a stock is the average cost of the shares held. If the same stock has been purchased several times, the average of the purchase prices is the book value. The book value of bonds is the "amortized" cost, which represents the original cost, adjusted for premium and discount amortization where applicable. If bonds are purchased at more than the par value, the difference is called a premium. If they are purchased for less than par value, the difference is called discount. Premiums and discounts are amortized/accreted using the straight-line or scientific method to the call, average life, or maturity date of the securities. The fair value of publicly traded stocks and bonds is determined by reference to market prices supplied by State Street Bank (the custodial bank). Because a public market does not exist for private equity and real estate investments, the fair value of these investments is the value reported in the most

**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

recent external managers' valuation reports. The book value of these private investments is the capital invested less capital returned. Except for STIP, all investment portfolios presented in the Statement of Net Asset Value are at "fair" value.

Accounting for stock and bond securities is based on the "trade date", which means the sale or purchase of a security is recorded on the trade date, rather than the "settlement" date. This results in a purchased security being included in the investment portfolio on the trade date even though it will not be paid for until the settlement date. Conversely, a security that is sold will be eliminated from the investment portfolio on the trade date even though the sale proceeds will not be received until the settlement date. This delayed timing requires that "receivables" and "payables" for securities sold/purchased but not yet settled must be reported in the financial statement and calculated in the Net Asset Value. Private equity and real estate investments are included in the portfolio when funds are wired.

Currency exposures may be hedged, partially or fully, at the discretion of the manager to preserve the U.S. dollar value of investments made. Currency speculation, such as over-hedging, reverse hedging or other trading activity not specifically aimed at preserving the U.S. dollar value of investments is not authorized.

**B. Pool Net Asset Values** – The Net Asset Values (NAV) of Pools must be calculated accurately to ensure that participants are paying or receiving a "fair" price when units are purchased and sold. The NAV must include not only the fair value of the investment portfolio (except for STIP at book value) but any liabilities payable by the Pool and receivables due the Pool on the date of the NAV calculation. Investment accounting is based on the "accrual" system, which means the interest due on a bond is recorded when it is due, rather than when it is received. Interest "due" is recorded as a receivable (asset) and included in the NAV on the date of the calculation. Dividend is recorded as of "ex-dividend date." Income due Pool participants is recorded on the date it is due the participants, rather than when it is actually distributed. Income due participants is recorded as a payable (liability) and included in the NAV on the date of the calculation. The effect that assets and liabilities have on the Pool NAV is depicted in the table below. The difference between Pool investment portfolios at fair value and the NAV is the net of other assets and liabilities. The STIP portfolio is shown in the Statement of Net Asset Value at amortized cost or "book" value.

**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

**June 30, 2007 Investment Portfolios & Net Asset Value**

<b>Pool</b>	<b>Book Value</b>	<b>Fair Value *</b>	<b>Net Asset Value</b>
Retirement Funds Bond Pool (RFBP)	1,969,001,908	1,964,715,151	1,969,724,339
Trust Funds Bond Pool (TFBP)	1,377,795,892	1,374,840,538	1,381,812,779
Montana Domestic Equity Pool (MDEP)	2,743,901,727	3,467,579,758	3,466,347,984
Montana International Equity Pool (MTIP)	1,278,743,938	1,612,071,367	1,615,596,682
Montana Private Equity Pool (MPEP)	515,061,200	621,897,548	621,497,145
Montana Real Estate Pool (MTRP)	156,324,730	158,790,732	157,501,002
Short Term Investment Pool (STIP)	2,789,738,734	2,789,738,734	2,792,537,625
<b>Total</b>	<b><u>10,830,568,129</u></b>	<b><u>11,989,633,828</u></b>	<b><u>12,005,017,556</u></b>

**June 30, 2006 Investment Portfolios & Net Asset Value**

<b>Pool</b>	<b>Book Value</b>	<b>Fair Value *</b>	<b>Net Asset Value</b>
Retirement Funds Bond Pool (RFBP)	1,852,698,544	1,837,044,446	1,848,687,000
Trust Funds Bond Pool (TFBP)	1,323,175,351	1,314,596,488	1,322,252,794
Montana Domestic Equity Pool (MDEP)	2,700,870,570	3,152,703,754	3,152,660,004
Montana International Equity Pool (MTIP)	913,072,853	1,241,048,341	1,243,449,263
Montana Private Equity Pool (MPEP)	353,158,397	400,727,301	400,382,627
Montana Real Estate Pool (MTRP)	30,159,689	30,159,689	30,035,000
Short Term Investment Pool (STIP)	2,190,772,793	2,190,772,793	2,199,502,952
<b>Total</b>	<b><u>9,363,908,197</u></b>	<b><u>10,167,052,813</u></b>	<b><u>10,196,969,640</u></b>

*\* STIP is recorded at amortized cost in the Fair Value column.*

The table on the following page shows the individual Pool assets, liabilities, and NAV. Included in the assets are the value of the investment portfolios, cash (if any), receivables for securities sold but not yet settled, and dividend/interest receivables. Included in the liabilities are payables for securities purchased but not yet settled, income due participants, and other miscellaneous payables. The “securities lending” asset/liability shown in the Statement of Net Asset Value nets out (one equals the other) and has no “net” effect on the Pool NAV.

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**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

**2007 Net Asset Values by Pool**

<b><u>Pool</u></b>	<b><u>Assets</u></b>	<b><u>Liabilities</u></b>	<b><u>Net Asset Value</u></b>
Retirement Funds Bond Pool (RFBP)	2,091,941,581	122,217,242	1,969,724,339
Trust Funds Bond Pool (TFBP)	1,470,170,078	88,357,299	1,381,812,779
Montana Domestic Equity Pool (MDEP)	3,646,878,109	180,530,125	3,466,347,984
Montana International Equity Pool (MTIP)	1,774,847,610	159,250,928	1,615,596,682
Montana Private Equity Pool (MPEP)	621,897,548	400,403	621,497,145
Montana Real Estate Pool (MTRP)	159,033,212	1,532,210	157,501,002
Short Term Investment Pool (STIP)	2,804,936,526	12,398,901	2,792,537,625
<b>Total</b>	<b><u>12,569,704,664</u></b>	<b><u>564,687,108</u></b>	<b><u>12,005,017,556</u></b>

**2006 Net Asset Values by Pool**

<b><u>Pool</u></b>	<b><u>Assets</u></b>	<b><u>Liabilities</u></b>	<b><u>Net Asset Value</u></b>
Retirement Funds Bond Pool (RFBP)	1,943,658,435	94,971,435	1,848,687,000
Trust Funds Bond Pool (TFBP)	1,392,680,382	70,427,588	1,322,252,794
Montana Domestic Equity Pool (MDEP)	3,170,231,135	17,571,131	3,152,660,004
Montana International Equity Pool (MTIP)	1,277,963,451	34,514,188	1,243,449,263
Montana Private Equity Pool (MPEP)	400,727,301	344,674	400,382,627
Montana Real Estate Pool (MTRP)	30,159,689	124,689	30,035,000
Short Term Investment Pool (STIP)	2,236,478,881	36,975,929	2,199,502,952
<b>Total</b>	<b><u>10,451,899,274</u></b>	<b><u>254,929,634</u></b>	<b><u>10,196,969,640</u></b>

**C. Pool Participant Units** – Participants purchase units in the Pools in much the same manner in which individuals invest in mutual funds. The STIP participants purchase and sell units at their discretion. All other Pool units are purchased and sold at the discretion of Board investment staff based on asset allocations approved by the Board. In order for Pool participants to purchase and sell units (except for STIP at \$1.00) the units must be “priced.” Once the NAV is calculated, the unit value is priced by dividing the NAV by the number of outstanding units. The unit value is then used when units are purchased or sold. Like securities, Pool units also have a “book” value, which is the price of the unit when it was purchased. The book value does not change unless the participant purchased additional units at different prices. The calculations for Pool unit values are shown on the following page:

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CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

**2007 NAV - Units Outstanding - Unit Value**

<b><u>Pool Name</u></b>	<b><u>Net Asset Value</u></b>	<b><u>Units Outstanding</u></b>	<b><u>Unit Value</u></b>
Retirement Funds Bond Pool (RFBP)	1,969,724,339	19,604,653	100.47
Trust Funds Bond Pool (TFBP)	1,381,812,779	14,312,848	96.54
Montana Domestic Equity Pool (MDEP)	3,466,347,984	21,153,092	163.87
Montana International Equity Pool (MTIP)	1,615,596,682	8,198,003	197.07
Montana Private Equity Pool (MPEP)	621,497,145	3,731,013	166.58
Montana Real Estate Pool (MTRP)	157,501,002	1,545,844	101.89
Short Term Investment Pool (STIP)	<u>2,792,537,625</u>	<u>2,792,537,625</u>	<u>1.00</u>
<b>Total</b>	<b><u>12,005,017,556</u></b>	<b><u>2,861,083,078</u></b>	<b>NA</b>

**2006 NAV - Units Outstanding - Unit Value**

<b><u>Pool Name</u></b>	<b><u>Net Asset Value</u></b>	<b><u>Units Outstanding</u></b>	<b><u>Unit Value</u></b>
Retirement Funds Bond Pool (RFBP)	1,848,687,000	18,521,148	99.81
Trust Funds Bond Pool (TFBP)	1,322,252,794	13,757,064	96.11
Montana Domestic Equity Pool (MDEP)	3,152,660,004	22,843,210	138.01
Montana International Equity Pool (MTIP)	1,243,449,263	8,194,363	151.74
Montana Private Equity Pool (MPEP)	400,382,627	2,953,791	135.55
Montana Real Estate Pool (MTRP)	30,035,000	300,350	100.00
Short Term Investment Pool (STIP)	<u>2,199,502,952</u>	<u>2,199,502,952</u>	<u>1.00</u>
<b>Total</b>	<b><u>10,196,969,640</u></b>	<b><u>2,266,072,878</u></b>	<b>NA</b>

**D. Changes in Net Asset Values** – This section of the financial statement depicts the change in NAV from one year to the next. There are three components that contribute to the changes: 1) the value of participant units sold; 2) the value of participant units purchased; and 3) the change in the value of investments managed. The change in NAV for each Pool is shown in the table on the following page.

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**STATE OF MONTANA BOARD OF INVESTMENTS**  
**CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

**2007 Unit Activity & Change in Value of Investments**

<u>Pool</u>	<u>Value of Units Purchased</u>	<u>Value of Units Sold</u>	<u>Change in Value of Investments</u>
Retirement Funds Bond Pool (RFBP)	109,670,000		11,367,339
Trust Funds Bond Pool (TFBP)	73,936,557	(19,469,054)	5,092,482
Montana Domestic Equity Pool (MDEP)	9,699,997	(118,345,358)	422,333,342
Montana International Equity Pool (MTIP)	880,000	(172,551)	371,439,970
Montana Private Equity Pool (MPEP)	117,500,000		103,614,518
Montana Real Estate Pool (MTRP)	125,000,000		2,466,002
Short Term Investment Pool (STIP)	<u>7,769,243,126</u>	<u>(7,176,208,453)</u>	<u>-</u>
<b>Total</b>	<b><u>8,205,929,680</u></b>	<b><u>(7,314,195,416)</u></b>	<b><u>916,313,653</u></b>

**2006 Unit Activity & Change in Value of Investments**

<u>Pool</u>	<u>Value of Units Purchased</u>	<u>Value of Units Sold</u>	<u>Change in Value of Investments</u>
Retirement Funds Bond Pool (RFBP)	113,200,000		(99,133,227)
Trust Funds Bond Pool (TFBP)	96,950,097	(34,220,847)	(71,316,958)
Montana Domestic Equity Pool (MDEP)	2,119,999	(38,737,366)	177,875,360
Montana International Equity Pool (MTIP)	845,000	(355,150)	246,502,650
Montana Private Equity Pool (MPEP)	47,550,000		55,404,108
Montana Real Estate Pool (MTRP)	30,035,000		
Short Term Investment Pool (STIP)	<u>6,986,836,660</u>	<u>(6,528,454,608)</u>	<u>-</u>
<b>Total</b>	<b><u>7,277,536,756</u></b>	<b><u>(6,601,767,971)</u></b>	<b><u>309,331,933</u></b>

**E. Distributable Income – Bond Pool** distributable income reported in the Statement of Investment Income and Distribution includes accrued interest, miscellaneous income, amortization/accretion of discount/premium, and realized gains (losses) on sales. STIP income is comprised of accrued interest and amortization of discount. Public equity, private equity, and private real estate Pools distributable income consists primarily of dividends. Realized capital gains (losses) in these Pools are not distributed unless the gains are needed to pay management fees. Income Due Participants is distributed monthly on the first calendar day of each month. Realized Bond Pool gains/losses are periodically distributed. The major distributable income for each Pool is shown on the following page.

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**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

**2007 Major Sources of Distributable Income**

<b><u>Pool</u></b>	<b><u>Gain (Loss)</u></b>	<b><u>Dividend\\Interest</u></b>	<b><u>Amortization\\Accretion</u></b>
Retirement Funds Bond Pool (RFBP)	5,056,841	101,515,996	8,121,273
Trust Funds Bond Pool (TFBP)	4,421,784	72,550,314	6,151,238
Montana Domestic Equity Pool (MDEP)		27,342,728	
Montana International Equity Pool (MTIP)		24,012,311	
Montana Private Equity Pool (MPEP)	1,800,000	8,716,185	
Montana Real Estate Pool (MTRP)		3,109,188	
Short Term Investment Pool (STIP)	-	43,632,233	81,277,191
<b>Total</b>	<b><u>11,278,625</u></b>	<b><u>280,878,955</u></b>	<b><u>95,549,702</u></b>

**2006 Major Sources of Distributable Income**

<b><u>Pool</u></b>	<b><u>Gain (Loss)</u></b>	<b><u>Dividend\\Interest</u></b>	<b><u>Amortization\\Accretion</u></b>
Retirement Funds Bond Pool (RFBP)	693,578	95,623,643	9,000,201
Trust Funds Bond Pool (TFBP)	692,463	68,387,650	6,670,908
Montana Domestic Equity Pool (MDEP)		27,960,398	
Montana International Equity Pool (MTIP)		11,920,667	
Montana Private Equity Pool (MPEP)	2,000,000	4,840,414	
Montana Real Estate Pool (MTRP)		125,023	
Short Term Investment Pool (STIP)	-	24,509,823	54,342,665
<b>Total</b>	<b><u>3,386,041</u></b>	<b><u>233,367,618</u></b>	<b><u>70,013,774</u></b>

**Due to timing, all distributable fiscal year income may not be distributed by June 30. Any undistributed amount is recorded as a payable against the NAV of the Pool at year-end. The distributable and undistributed income is shown on the following page.**

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**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

**2007 Distributable and Undistributed Income**

<b><u>Pool Name</u></b>	<b><u>Distributable</u></b>	<b><u>Distributed</u></b>	<b><u>Undistributed</u></b>
Retirement Funds Bond Pool (RFBP)	124,826,037	115,615,202	9,210,835
Trust Funds Bond Pool (TFBP)	91,174,640	83,927,177	7,247,463
Montana Domestic Equity Pool (MDEP)	24,639,107	22,847,185	1,791,922
Montana International Equity Pool (MTIP)	19,159,796	17,450,695	1,709,101
Montana Private Equity Pool (MPEP)	2,810,620	2,410,217	400,403
Montana Real Estate Pool (MTRP)	2,220,061	687,851	1,532,210
Short Term Investment Pool (STIP)	<u>125,321,963</u>	<u>112,923,208</u>	<u>12,398,755</u>
<b>Total</b>	<b><u>390,152,224</u></b>	<b><u>355,861,535</u></b>	<b><u>34,290,689</u></b>

**2006 Distributable and Undistributed Income**

<b><u>Pool Name</u></b>	<b><u>Distributable</u></b>	<b><u>Distributed</u></b>	<b><u>Undistributed</u></b>
Retirement Funds Bond Pool (RFBP)	115,456,321	105,043,775	10,412,546
Trust Funds Bond Pool (TFBP)	83,742,385	75,383,723	8,358,662
Montana Domestic Equity Pool (MDEP)	27,675,465	25,949,216	1,726,249
Montana International Equity Pool (MTIP)	11,106,582	10,108,782	997,800
Montana Private Equity Pool (MPEP)	2,080,706	1,736,032	344,674
Montana Real Estate Pool (MTRP)	124,689		124,689
Short Term Investment Pool (STIP)	<u>79,050,919</u>	<u>78,250,554</u>	<u>800,365</u>
<b>Total</b>	<b><u>319,237,067</u></b>	<b><u>296,472,082</u></b>	<b><u>22,764,985</u></b>

**F. Investment Management Fees** – The Legislature sets the maximum management fee the Board may charge the accounts it manages. The maximum fee is set at the aggregate level and at the beginning of each fiscal year, the Board allocates the aggregate fees across the Pools and other accounts with investments managed outside the Pools. Custodial bank fees are paid by a statutory appropriation from the state general fund. The Board allocates custodial bank fees across the Pools and accounts invested outside the Pools and deposits the proceeds in the general fund. The State Treasurer then pays the monthly custodial bank fees from the general fund. External manager fees are paid directly from the accounts they manage. Investment management fees charged each Pool are shown on the following page.

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**Fiscal 2007 Management Fees**

<b><u>Pool</u></b>	<b><u>Board</u></b>	<b><u>Custodial Bank</u></b>	<b><u>External Managers</u></b>	<b><u>Total</u></b>
Retirement Funds Bond Pool (RFBP)	332,964	69,150		402,114
Trust Funds Bond Pool (TFBP)	307,722	55,354		363,076
Montana Domestic Equity Pool (MDEP)	1,079,808	170,862	3,397,267	4,647,937
Montana International Equity Pool (MTIP)	223,141	256,042	5,816,740	6,295,923
Montana Private Equity Pool (MPEP)	213,288	160,274	6,875,870	7,249,432
Montana Real Estate Pool (MTRP)	149,184	12,786	779,097	941,067
Short Term Investment Pool (STIP)	233,436	155,215	-	388,651
<b>Total</b>	<b><u>2,539,543</u></b>	<b><u>879,683</u></b>	<b><u>16,868,974</u></b>	<b><u>20,288,200</u></b>

**Fiscal 2006 Management Fees**

<b><u>Pool</u></b>	<b><u>Board</u></b>	<b><u>Custodial Bank</u></b>	<b><u>External Managers</u></b>	<b><u>Total</u></b>
Retirement Funds Bond Pool (RFBP)	261,637	78,550		340,187
Trust Funds Bond Pool (TFBP)	258,888	57,933		316,821
Montana Domestic Equity Pool (MDEP)	1,174,018	168,079	970,801	2,312,898
Montana International Equity Pool (MTIP)	252,113	270,290	1,843,956	2,366,359
Montana Private Equity Pool (MPEP)	268,426	132,331	4,166,179	4,566,936
Montana Real Estate Pool (MTRP)		333		333
Short Term Investment Pool (STIP)	211,704	124,173	-	335,877
<b>Total</b>	<b><u>2,426,786</u></b>	<b><u>831,689</u></b>	<b><u>6,980,936</u></b>	<b><u>10,239,411</u></b>

**3. INVESTMENT COMMITMENTS**

Investments in private equity and private real estate are usually made via Limited Partnership Agreements that involve many limited partners and a General Partner who is responsible for all investment decisions. The Limited Partners make an original commitment, after which capital is called as needed by the General Partner to make investments. These Agreements will usually last for a minimum of 10 years. The table on the following page shows the remaining Board commitments to private equity funds.

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**STATE OF MONTANA BOARD OF INVESTMENTS  
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**MPEP Commitments as of June 30, 2007**

<b><u>Security Name</u></b>	<b><u>Original Commitment</u></b>	<b><u>Commitment Remaining</u></b>	<b><u>Carrying Value</u></b>	<b><u>Fair Value</u></b>
Separate Account Partnerships	\$13,618,000	\$25,000	\$927,242	\$364,049
Brinson Non-US Partnership Trust	9,809,482	749,583	5,622,273	9,827,036
Brinson Partnership Trust 1996-2003	103,319,781	11,187,343	66,136,880	78,872,396
Adams Street Non-US Partnership Trust	16,000,000	6,299,500	8,277,775	10,283,389
Adams Street Partnership Fund	94,000,000	42,558,000	45,734,366	52,525,279
Adams Street Partners Fund V	40,000,000	2,200,000	35,513,712	35,307,981
Adams Street Global Opportunities	25,000,000	11,812,500	12,491,221	12,646,912
Affinity Asia Pacific Fund III	15,000,000	14,821,558	14,276	13,980
ArcLight Energy Partners Fund II	25,000,000	5,992,970	15,242,500	15,533,068
ArcLight Energy Partners Fund III	25,000,000	13,866,011	10,774,591	10,872,317
Buerk Dale Victor Fund III	15,000,000	14,000,000	1,000,000	763,451
Carlyle Partners Fund IV	35,000,000	11,034,377	23,685,622	27,290,338
Carlyle Venture Partners Fund III	25,000,000	19,044,994	4,432,043	4,539,786
CCMP Investors Fund II	30,000,000	22,832,992	7,022,176	6,891,683
First Reserve XI	30,000,000	27,488,000	2,338,715	2,394,463
HarbourVest Direct 2007 Fund	20,000,000	20,000,000	0	0
Hellman & Friedman Fund VI	25,000,000	20,655,160	4,344,840	4,344,840
Highway 12 Ventures	10,000,000	8,852,483	1,058,305	1,014,597
Industry Ventures Fund	10,000,000	7,743,405	2,177,574	2,239,350
JCF II LP	25,000,000	19,069,452	5,611,334	5,687,979
JLL Partners Fund V	25,000,000	11,223,667	11,420,491	12,722,347
Lehman Co-Invest Fund I	35,000,000	17,580,398	16,627,264	17,376,904
Lehman Co-Merchant Banking IV	15,000,000	15,000,000	0	0
Lexington Capital Partners Fund V	50,000,000	3,859,540	8,220,001	29,557,455
Lexington Capital Partners Fund VI-B	50,000,000	36,607,152	11,516,204	11,643,723
Madison Dearborn Partners Fund IV	18,394,269	1,876,983	14,483,099	23,029,039
Madison Dearborn Partners Fund V	25,000,000	11,490,586	13,228,164	13,198,334
MatlinPatterson Global Opportunities III	30,000,000	29,400,000	600,000	600,000
MHR Institutional Partners III	25,000,000	18,250,000	6,519,441	6,780,434
Oak Hill Capital Partners II	20,458,833	9,138,597	10,869,303	11,391,399
Odyssey Investment Partners Fund III	25,000,000	10,722,569	10,901,891	15,395,858
Portfolio Advisors Fund IV - [B]	30,000,000	23,762,981	6,424,545	6,424,545
Portfolio Advisors Fund IV - [E]	15,000,000	14,704,621	525,000	525,000
Quintana Energy Partners - TE	15,000,000	9,175,690	5,435,543	5,435,543
Terra Firma Fund III*	25,600,000	26,221,023	52,090	0
Welsh Carson Anderson & Stowe Fund IX	25,000,000	1,750,000	10,830,856	19,629,453
WCAS Capital Partners Fund IV	25,000,000	12,250,000	12,750,000	13,971,399
WCAS X	25,000,000	12,250,000	12,184,944	12,763,193
<b>Total Private Equity Commitments</b>	<b>\$1,071,200,365</b>	<b>\$545,497,135</b>	<b>\$404,994,279</b>	<b>\$481,857,518</b>

The table on the following page shows the remaining Board commitments to Private Real Estate Funds.

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**MTRP Commitments as of June 30, 2007**

<b><u>Private Real Estate Fund</u></b>	<b><u>Original Commitment</u></b>	<b><u>Commitment Remaining</u></b>	<b><u>Carrying Value</u></b>	<b><u>Fair Value</u></b>
ABR Chesapeake Fund III	\$ 20,000,000	\$ 12,000,000	\$ 8,000,000	\$ 8,000,000
AG Core Plus Realty Fund II	20,000,000	20,000,000	-	-
Apollo Real Estate Finance Corp.	10,000,000	8,790,000	\$ 1,210,000	\$ 1,102,749
Beacon Capital Partners Fund V	25,000,000	25,000,000	-	-
CIM Fund III	25,000,000	25,000,000	-	-
Hudson Realty Capital Fund IV	15,000,000	8,250,000	\$ 6,750,000	\$ 6,715,305
INVESCO Core Real Estate - USA	30,000,000	30,000,000	-	-
JER Real Estate Partners Fund IV	20,000,000	20,000,000	-	-
Liquid Realty Fund IV	30,000,000	30,000,000	-	-
Morgan Stanley Real Estate Fund VI International	25,000,000	25,000,000	-	-
Rothschild: Five Arrows Realty Securities Fund V	30,000,000	30,000,000	-	-
Strategic Partners Value Enhancement Fund	19,200,000	13,777,841	\$ 4,846,159	\$ 4,634,891
TA Associates Realty Fund VIII	20,000,000	5,000,000	\$ 5,000,000	\$ 5,000,000
<b>Total MTRP Commitments</b>	<b>\$ 289,200,000</b>	<b>\$ 252,817,841</b>	<b>\$ 25,806,159</b>	<b>\$ 25,452,945</b>

#### 4. TYPES OF INVESTMENTS

**Bond Pools** - The bond Pools include corporate and foreign government bonds; U.S. government direct-backed and U.S. government indirect-backed bonds; and cash equivalents. U.S. government direct-backed securities include direct obligations of the U.S. Treasury and obligations explicitly guaranteed by the U.S. government. U.S. government indirect-backed obligations include U.S. government agency and mortgage-backed securities, which reflect participation in a pool of residential mortgages.

The bond Pools also include structured financial instruments known as REMIC securities (Real Estate Mortgage Investment Conduits). These investments are pass-through vehicles for multi class mortgage-backed securities and some may be interest-only strips (IO). These investments represent the separate purchase of the principal and interest cash flows of a mortgage security and receive cash flows from the interest payment component on underlying mortgage loans. These securities are identified and reported as U.S. government indirect-backed in the investment risk and portfolio disclosures.

**Public Equity Pools** -The public equity Pools may include common stock, equity index shares, preferred stock, convertible equity securities, American Depository Receipts (ADR), equity derivatives, and commingled funds. Common stock represents ownership units (shares) of a public corporation. Common stock owners may vote on director selection and other important matters and receive dividends if the company pays dividends. Equity index investments are comprised of shares in institutional commingled funds with equity portfolios that match a broad based index or specific industry composite. Preferred stocks pay dividends at a specified rate and have preference in the payment of dividends and liquidation of assets. Preferred stock holders do not usually have voting rights.

Convertible securities permit the holder to exchange, or “convert” the instrument for other securities of the issuer or of another issuer. This definition most often applies to preferred stocks or corporate bonds carrying the right to exchange for a fixed number of shares of the issuer’s common stock. ADR investments are receipts issued by a US depositary bank representing shares of a foreign stock or bonds held abroad by the foreign sub-custodian of the American depositary bank. Equity derivatives, such as futures and options, “derive” their value from underlying equity instruments. An institutional commingled fund combines assets from several institutional investors that are blended or pooled together, to reduce management and administration costs. The investor buys shares in the fund.

The MDEP portfolio is limited to domestic stock or ADR investments, while the MTIP portfolio may include holdings of securities of foreign-based corporations listed on legal and recognized foreign exchanges as well as domestic exchanges. The MTIP portfolio invests in both developed and emerging markets.

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**Alternative Investment Pools** - The private equity Pool (MPEP) may include venture capital, leveraged buyout, mezzanine, distressed debt, special situation and secondary investments. These investments are made via Limited Partnership Agreements in which the Board and other institutional investors invest as Limited Partners in funds managed by a General Partner. These investments are riskier with higher potential return than public equity investments and are less liquid because the funds are usually committed for at least 10 years. Because of the risk and illiquidity, these investments are limited to sophisticated investors only.

The private real estate Pool (MTRP) includes investments in core, value-added, and opportunistic real estate. Core investments are the least risky with the lowest return and are usually managed in commingled accounts in which the investor purchases shares. Value-added and opportunistic real estate investments provide more risk and return and are less liquid than core investments. These investments are usually made through Limited Partnership Agreements. The MTRP invests its cash in STIP.

**STIP** -This Pool is managed to preserve principal, while obtaining money market type returns and 24-hour liquidity. Funds may be invested for one or more days. Although it is not registered with the Securities and Exchange Commission (SEC) as an investment company, STIP is managed consistent with the SEC rule 2a7 of the Investment Company Act of 1940. As a 2a7-like pool, the STIP utilizes an amortized cost unit value to report net assets. The portfolio may include asset-backed securities, commercial paper, corporate, U.S. government direct-backed, U.S. government indirect-backed, repurchase agreements, institutional money market funds, and variable-rate (floating-rate) instruments. Investments must have a maximum maturity of 397 days or less unless they have rate reset dates. The portfolio is carried at amortized cost or book value with a constant unit value of \$1.00.

Asset-backed securities are debt securities collateralized by a pool of mortgage and non-mortgage assets such as trade and loan receivables, equipment leases, credit cards, etc. Commercial paper is unsecured short-term debt with maturities ranging from 1 to 270 days. Commercial paper issued at a discount, direct or by brokers, is backed by bank credit lines. U.S. government direct-backed securities include direct obligations of the U.S. Treasury and obligations explicitly guaranteed by the U.S. government. U.S. government indirect-backed obligations include U.S. government agency and mortgage-backed securities. Repurchase agreements (REPO) represent an agreement between a seller and a buyer, usually of U.S. government securities, whereby the seller agrees to repurchase the securities at an agreed upon price and stated time. Variable-rate (floating-rate) securities pay a variable rate of interest until maturity. The STIP portfolio's variable-rate securities float with LIBOR (London Interbank Offered Rate).

## **5. SECURITIES LENDING**

The Board is authorized by law to lend its securities and contracts with the custodial bank to lend its publicly traded securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Board contracts with the custodial bank to lend its securities. The custodial bank is required to maintain collateral equal to 102 percent of the fair value of domestic securities and 105 percent of the fair value of international securities while the securities are on loan. The Board and the bank split the earnings on security lending activities.

During fiscal years 2007 and 2006, the custodial bank loaned Board public securities and received U.S. dollar currency cash, U.S. government and government sponsored securities, U.S. corporate debt securities, supranational agencies debt, asset backed securities, and irrevocable bank letters of credit as collateral. The custodial bank cannot pledge or sell collateral securities unless the borrower defaults. The Board imposed no restrictions on the amount of securities available to lend during fiscal years 2007 and 2006. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the period nor were there losses resulting from a default of borrowers.

During fiscal years 2007 and 2006, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool. The Securities Lending Quality Trust has a weighted average maturity of 66 and 56 days, respectively, as of June 30, 2007 and 2006. The Quality D Trust has a weighted average maturity of 68 and 58 days, respectively, as of June 30, 2007 and 2006. The relationship between the average maturities of the investment pool and the Board's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the Board could not determine. At year-end, the Board had no credit risk exposure to borrowers because the collateral pledged by the borrowers exceeded the

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value of the securities borrowed. The private equity and real estate Pools do not participate in securities lending. The Pool securities on loan and the collateral pledged are shown below.

<u>Pool</u>	<u>On Loan 6/30/2007</u>	<u>Collateral Cash</u>	<u>Collateral Securities</u>	<u>Collateral Total</u>
Retirement Funds Bond Pool (RFBP)	612,237,767	86,995,499	538,088,375	625,083,874
Trust Funds Bond Pool (TFBP)	449,744,374	61,184,725	397,968,750	459,153,475
Montana Domestic Equity Pool (MDEP)	167,729,961	169,065,232	3,279,200	172,344,432
Montana International Equity Pool (MTIP)	184,229,316	145,724,118	45,487,112	191,211,230
Short Term Investment Pool (STIP)	30,305,594	-	30,918,750	30,918,750
<b>Total</b>	<b>1,444,247,012</b>	<b>462,969,574</b>	<b>1,015,742,187</b>	<b>1,478,711,761</b>
<u>Pool</u>	<u>On Loan 6/30/2006</u>	<u>Collateral Cash</u>	<u>Collateral Securities</u>	<u>Collateral Total</u>
Retirement Funds Bond Pool (RFBP)	81,700,961	84,096,961	381,000	84,477,961
Trust Funds Bond Pool (TFBP)	68,572,311	61,814,106	9,269,000	71,083,106
Montana Domestic Equity Pool (MDEP)	12,629,239	12,879,680	-	12,879,680
Montana International Equity Pool (MTIP)	30,130,180	31,330,825	148,092	31,478,917
Short Term Investment Pool (STIP)	35,412,486	36,071,813	-	36,071,813
<b>Total</b>	<b>228,445,177</b>	<b>226,193,385</b>	<b>9,798,092</b>	<b>235,991,477</b>

## 6. INVESTMENT RISK DISCLOSURES

Effective June 30, 2005, the Board implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40 – Deposit and Investment Risk Disclosures. The investment risk disclosures are described in the following paragraphs.

**Credit Risk** - Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. With the exception of the U.S. government securities, the RFBP and TFBP fixed income instruments have credit risk as measured by major credit rating services. This risk is that the issuer of a fixed income security may default in making timely principal and interest payments. The Board of Investments' policy requires RFBP and TFBP fixed income investments, at the time of purchase, to be rated an investment grade as defined by Moody's or by Standard & Poor's (S&P) rating services. The U.S. government securities are guaranteed directly or indirectly by the U.S. government. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The credit ratings presented in the tables below are provided by the S&P rating services. If an S&P rating is not available, a Moody's rating has been used.

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Board may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2007 and 2006, all the public securities as well as securities held by the separate public equity account managers were registered in the nominee name for the Montana Board of Investments and held in the possession of the Board's custodial bank, State Street Bank. State Street repurchase agreements are purchased in the State of Montana Board of Investments name. Commingled fund investments are registered in the name of the Montana Board of Investments.

**Concentration of credit risk** - is the risk of loss attributed to the magnitude of an investor's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government are excluded from the concentration of credit risk requirement.

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**Bond Pool** Investment Policy states: "with the exception of U.S. government indirect-backed (agency) securities, additional purchases will not be made in a credit if the credit risk exceeds 2 percent of the portfolio at the time of purchase". The RFBP had concentration of credit risk exposure to the Federal Home Loan Mortgage Corp of 5.39% as of June 30, 2007 and 5.50% as of June 30, 2006, while the TFBP had concentration of credit risk exposure to the same issuer of 10.10% as of June 30, 2007 and 7.75% as of June 30, 2006.

**MDEP** As of June 30, 2007 and 2006, there were no single issuer investments that exceeded 5% of the MDEP portfolio.

**STIP** The STIP portfolio, by issuer, had no concentration of credit risk exposure as of June 30, 2007. The STIP had concentration of credit risk exposure to the Federal Home Loan Bank of 6.59 percent as of June 30, 2006.

**Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The U.S. dollar balances of the MTIP cash are disclosed by currency.**

MTIP Cash by Currency

<b>Cash</b>	<b>2007</b>		<b>2006</b>	
	<b>Book Value</b>	<b>Fair Value</b>	<b>Book Value</b>	<b>Fair Value</b>
Australian Dollar	\$ 783,649	\$ 793,356	\$ 66,735	\$ 67,808
Brazilian Real	392	394	0	0
Canadian Dollar	17,288	17,519	0	0
Danish Krone	52,320	52,305	0	0
Hong Kong Dollar	320,105	319,990	699,971	699,204
Hungarian Forint	23,887	24,173	0	0
Euro	1,260,859	1,268,195	0	0
Israeli Shekel	9,087	9,146	0	0
Japanese Yen	3,026,127	2,984,194	1,304,411	1,317,040
South Korean Won	43,322	43,384	23,893	24,146
Malaysian Ringgit	27,370	27,337	8,722	8,722
Mexican Peso	1,907	1,906	0	0
Norwegian Krone	438,783	447,978	2,493	2,509
Singapore Dollar	86,407	86,409	1,364,829	1,367,218
Swedish Krona	72,304	71,973	0	0
Swiss Franc	544,770	540,157	0	0
New Taiwan Dollar	62,470	62,997	167,596	168,231
Thailand Baht	12,169	12,176	0	0
Turkish Lira	3,802	3,812	0	0
UK British Pound	383,867	388,486	0	0
US Dollar	188	188	0	0
Total Cash	\$ 7,171,073	\$ 7,156,075	\$ 3,638,650	\$ 3,654,878

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**Interest Rate Risk - Bond Pool** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with GASB Statement No. 40, the Board utilizes the effective duration method to disclose interest rate risk. This method provided by the custodial bank is "An option-adjusted measure of a bond's (or portfolio's) sensitivity to changes in interest rates. Duration is calculated as the average percentage change in a bond's value (price plus accrued interest) under shifts of the Treasury curve plus/minus 100 basis points. The effective duration method incorporates the effect of the embedded options for bonds and changes in prepayments for mortgage-backed securities (including pass-through securities, CMO, and ARM securities)."

Corporate asset-backed securities are based on cash flows from principal and interest payments on underlying auto loan receivables, credit card receivables, and other assets. These securities, while sensitive to prepayments due to interest rate changes, have less credit risk than securities not backed by pledged assets.

As reported in the U.S. government indirect-backed category, the RFBP portfolio held REMIC securities totaling \$303,613 and \$387,052 at amortized cost, respectively, as of June 30, 2007 and June 30, 2006, while the TFBP portfolio held REMIC securities totaling \$57,019 and \$84,804 at amortized cost respectively. These securities are based on separate or combined cash flows from principal and interest payments on underlying mortgages.

Interest Only (IO) securities are more sensitive to prepayments by mortgagees resulting from interest rate changes than other REMIC securities. The IO REMIC securities purchased by the RFBP in August and September 1992 carry an amortized cost of \$3 as of June 30, 2007 and June 30, 2006. These securities matured in August and September 2007.

The RFBP and TFBP each held one inverse variable rate corporate \$25 million and \$15 million par bond respectively. The quarterly coupon is calculated at an increased set rate less the 12 month LIBOR in arrears. As interest rates increase, the coupon paid will decline.

Bond Pool investments are categorized below to disclose credit and interest rate risk as of June 30, 2007 and June 30, 2006. Credit risk reflects the bond quality rating, by investment type, as of the June 30 report date. Interest rate risk is disclosed using effective duration. If a bond investment type is unrated, the quality type is indicated by NR (not rated). Both the credit quality ratings and duration have been calculated excluding cash equivalents. If duration has not been calculated, duration is indicated by NA (not applicable).

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**RFBP Credit Quality Rating and Effective Duration as of June 30, 2007**

<b><u>Security Investment Type</u></b>		<b><u>Fair Value</u></b>	<b><u>Credit Quality Rating</u></b>	<b><u>Effective Duration</u></b>
Corporate Bonds (Rated)	\$	969,566,185	A	5.01
Corporate Bonds (Unrated)		8,030,395	NR	5.61
U.S. Government Direct-Backed		75,036,052	AAA	6.09
U.S. Government Indirect-Backed		798,830,104	AAA	5.50
Short Term Investment Pool (STIP)		<u>113,252,415</u>	<u>NR</u>	<u>NA</u>
<b>Total Fixed Income Investments</b>	\$	<b><u>1,964,715,151</u></b>	<b><u>AA</u></b>	<b><u>5.27</u></b>
Securities Lending Collateral Investment Pool	\$	<u>86,995,499</u>	NR	NA

**RFBP Credit Quality Rating and Effective Duration as of June 30, 2006**

<b><u>Security Investment Type</u></b>		<b><u>Fair Value</u></b>	<b><u>Credit Quality Rating</u></b>	<b><u>Effective Duration</u></b>
Corporate Bonds (Rated)	\$	930,859,199	A	5.20
Corporate Bonds (Unrated)		13,928,888	NR	3.81
Foreign Government Bonds		4,850,000	BBB	5.83
U.S. Government Direct-Backed		55,508,068	AAA	6.87
U.S. Government Indirect-Backed		722,333,929	AAA	4.73
State Street Repurchase Agreement* (Rated)		447,861	AA-	NA
Short Term Investment Pool (STIP)		<u>109,116,501</u>	<u>NR</u>	<u>NA</u>
<b>Total Fixed Income Investments</b>	\$	<b><u>1,837,044,446</u></b>	<b><u>AA-</u></b>	<b><u>5.05</u></b>
Securities Lending Collateral Investment Pool	\$	<u>84,096,961</u>	NR	NA

\* At June 30, 2006, the State Street Bank repurchase agreement was collateralized at \$449,375 by a AAA rated Federal National Mortgage Association note maturing May 15, 2008.

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**TFBP Credit Quality Rating and Effective Duration as of June 30, 2007**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 672,495,745	A	4.75
Corporate Bonds (Unrated)	1,319,514	NR	0.94
Municipal Government Bonds (Rated)	1,180,500	AAA	1.85
Municipal Government Bonds (Unrated)	2,287,149	NR	4.74
U.S. Government Direct-Backed	47,634,484	AAA	8.78
U.S. Government Indirect-Backed	587,139,201	AAA	5.56
Short Term Investment Pool (STIP)	62,783,945	NR	N/A
<b>Total Fixed Income Investments</b>	<b>\$ 1,374,840,538</b>	<b>AA</b>	<b>5.25</b>
 Securities Lending Collateral Investment Pool	 \$ 61,184,725	 NR	 NA

**TFBP Credit Quality Rating and Effective Duration as of June 30, 2006**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 643,216,700	A	4.93
Corporate Bonds (Unrated)	3,812,700	NR	1.48
Foreign Government Bonds	9,700,000	BBB	5.83
Municipal Government Bonds (Rated)	1,167,858	AA	2.70
Municipal Government Bonds (Unrated)	2,656,472	NR	3.94
U.S. Government Direct-Backed	58,629,125	AAA	7.37
U.S. Government Indirect-Backed	509,562,146	AAA	4.77
State Street Repurchase Agreement* (Rated)	268,717	AA-	N/A
Short Term Investment Pool (STIP)	85,582,770	NR	N/A
<b>Total Fixed Income Investments</b>	<b>\$ 1,314,596,488</b>	<b>AA-</b>	<b>4.97</b>
 Securities Lending Collateral Investment Pool	 \$ 61,814,106	 NR	 NA

\* At June 30, 2006, the State Street Bank repurchase agreement was collateralized at \$269,625 by a AAA rated Federal Home Loan Mortgage Corporation note maturing May 15, 2008.

STIP investments are categorized on the next page to disclose credit risk as of June 30, 2007 and June 30, 2006. Credit risk reflects the security quality rating by investment type, as of the June 30 report date. If a security investment type is unrated, the quality type is indicated by NR (not rated). Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated.

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**STIP Credit Quality Ratings as of June 30, 2007**

Security Investment Type	Amortized Cost	Credit Quality Rating
Commercial Paper	\$ 1,854,755,464	A1+
Corporate Fixed	475,001,174	A1+
Corporate Variable-Rate	379,982,640	A1+
Municipal Variable Rate (Unrated)	5,000,000	NR
Money Market Funds	25,000,000	A1+
U.S. Government Indirect-Backed	<u>49,999,456</u>	<u>A1+</u>
 Total Investments	 <u>\$ 2,789,738,734</u>	 <u>A1+</u>
Securities Lending Collateral Investment Pool	\$ _____ -	NR

**STIP Credit Quality Ratings as of June 30, 2006**

Security Investment Type	Amortized Cost	Credit Quality Rating
Commercial Paper	\$ 1,421,275,802	A1
Corporate Fixed	295,001,150	A1+
Corporate Variable-Rate	224,996,794	A1+
U.S. Government Indirect-Backed	<u>249,499,047</u>	<u>A1+</u>
 Total Investments	 <u>\$ 2,190,772,793</u>	 <u>A1+</u>
Securities Lending Collateral Investment Pool	\$ 36,071,813	NR

**Specific Legal and Credit Risk** - As of June 30, 2006, Northwest Airlines Inc. presented a credit risk to the Board. The RFBP and TFBP held \$5,745,000 and \$9,255,000 respectively of par 4.64% Northwest Airlines Inc. real estate backed bond maturing July 7, 2010. These bonds are secured by Northwest Airlines Inc.'s corporate headquarters building and land. Because Northwest Airlines Inc. emerged from bankruptcy on May 31, 2007, this bond is no longer considered a credit risk.

As of June 30, 2007 and June 30, 2006, Burlington Industries, Inc. presented a legal and credit risk to the Board. The RFBP and TFBP held Burlington Industries, Inc., \$6 million and \$4 million par respectively of a 7.25% bond maturing September 15, 2005. In September 2000, the company announced a reduction of stockholders equity. Due to an increasing senior bank line and declining credit trend, the bond ratings for this issue were downgraded, in May 2001, by the Moody's and Standard & Poor's rating agencies. During fiscal year 2001, the RFBP book value of Burlington Industries Inc. was reduced from the August 31, 2000 book value of \$5,609,640 to \$2,400,000 and the TFBP book value reduced from the August 31, 2000 book value of \$3,739,760 to \$1,600,000. Due to the company's filing for Chapter 11 bankruptcy protection on November 11, 2001, the RFBP book value was reduced again to \$1,200,000., while the TFBP book value was reduced to \$800,000. In October 2003, Burlington Industries, Inc. received court approval to sell its assets. Under the company's recovery plan, the RFBP received \$1,454,961 in August 2004 for its unsecured claim and the TFBP received \$969,974. This transaction reduced the RFBP book value to \$0 and generated a gain of \$254,961 and reduced the TFBP book value to \$0 and generated a gain of \$169,974. In February 2005 and May 2005, the RFBP

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received an additional \$208,771 and \$194,247, respectively, for its unsecured claim, while the TFBP received an additional \$139,180 and \$129,498, respectively. In May 2006, the RFBP received an additional payment of \$158,278, while the TFBP received an additional \$105,519. The RFBP and TFBP received the final distribution of \$74,177 and \$49,452 respectively in July 2007.

**7. DEUTSCHE BANK SECURITIES, INC. COMPLAINT**

The Board received a summons and complaint, dated September 3, 2002, regarding the RFBP and TFBP sale of a Pennzoil Quaker State, \$5 million par, 6.75% corporate bond maturing April 1, 2009 of \$5 million and \$8 million par respectively. Deutsche Bank Securities claimed a “breach of contract” for the March 25, 2002 sale of the bond at a price of \$94.669 plus accrued interest. Deutsche Bank Securities sought damages of \$538,632 and \$861,811 from the RFBP and TFBP respectively for the additional costs incurred to acquire the bond from third parties, plus any statutory interest, costs and expenses. On October 1, 2002, Shell Oil Company acquired Pennzoil and subsequently announced a public tender of Pennzoil Quaker State debt. The Board tendered the Pennzoil Quaker State holdings on October 8, 2002 at a price of \$113.099. The tender was accepted with a settlement date of November 1, 2002. On November 4, 2002, the RFBP received \$5,683,075 in principal and interest plus a \$150,000 consent fee, while the TFBP received \$9,092,920 in principal and interest plus a \$240,000 consent fee.

On December 11, 2003, the Supreme Court of the State of New York, New York County, entered an order dismissing Deutsche Bank’s complaint on jurisdictional grounds. Deutsche Bank appealed that decision to the Appellate Division, which on June 14, 2005 reversed the Supreme Court and entered an order determining the Board to be liable and remanding the matter back to the Supreme Court for a determination of damages. The Board appealed that decision to the New York Court of Appeals, which on June 6, 2006 affirmed the Appellate Division’s decision. The Board petitioned for certiorari to the United States Supreme Court on certain jurisdictional issues but the Court did not act. On March 28, 2007, the Board reached a settlement of \$666,600 and \$1,066,800 respectively for the RFBP and TFBP.

**8. CLASS ACTION LITIGATION**

Class action litigation results from fraudulent activity damaging the Board’s investments. The Board contracts with the law firm Barrack, Rodos & Bacine to ensure that the Board participates in all class action litigation to which it is entitled to participate. While the custodial bank has the responsibility to file class actions on behalf of the Board, the law firm will monitor transactions that may entitle the Board to be a party in any class action litigation. The firm accesses Board portfolios and securities transactions on the custodial bank’s accounting system and requests written documentation from the bank that the claims have been filed. While the Board has never pursued becoming a lead plaintiff in class action litigation, under certain circumstances the Board’s fiduciary responsibility may require it to act as a lead or co-lead plaintiff to recover funds lost to fraud or other questionable activity.

**9. MDEP REORGANIZATION**

On May 8, 2007, the Board approved a staff recommendation to diversify the Board’s domestic equity exposure. The revised allocation involves four strategy categories that will be used as the framework for constructing the Large Cap portion of the MDEP. These categories are Passive, Enhanced Index, Style-based (Value and Growth), and Partial Long/Short. These actions resulted in funding five new external managers, in total, approximately \$827 million in August 2007. The new external managers are listed as follows:

Barrows, Hanley, Mewhinney & Strauss, Inc.  
Quantitative Management Associates  
Renaissance Investment Management

Columbus Circle Investors  
Rainier Investment Management

**10. RESTATEMENTS**

MDEP - Due to the correction of an error as of June 30, 2006, the MDEP Interest Receivable amount of \$3,267,046 has been restated as \$110,512 and the Dividend Receivable amount of \$1,380,655 has been restated as \$1,349,014 to report a Broker Receivable for Securities sold but not settled of \$3,188,175.

STIP - Based on subsequent research of GASB Statement No. 31 – Accounting and Financial Reporting for Certain Investments and for External Investment Pools, “government external investment pools that are 2a7-like pools are permitted to report their investments at amortized cost”. Because amortized cost is preferable for 2a7-like pools, the

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**Investments Managed at Fair Value (amortized cost of \$2,190,772,793 in 2006) of \$2,188,845,628 has been restated to reflect the amortized cost of \$2,190,772,793. The Unrealized Loss of \$1,927,165, attributed to pricing the portfolio at fair value on June 30, 2006, has been eliminated.**

**11. ACCOUNTING CHANGE**

**In prior years, the Board issued separate financial statements for each investment Pool. Beginning with the fiscal years ended June 30, 2007 and 2006, the Board prepared consolidated financial statements for all seven investment Pools. A consolidated financial statement better represents the scope, diversity, and size of the Unified Investment Program.**

**12. SUBSEQUENT EVENTS**

**MDEP - On July 31, 2007, the internally managed domestic equity portfolio was liquidated and the proceeds reinvested with external managers.**

**STIP – In April 2007, the Board purchased two issues of Axon Financial Funding totaling \$90 million par. As of June 30, 2007, these corporate variable rate securities held in the STIP portfolio (Note 13) carried a combined amortized cost of \$89,993,901 representing 3.22% of the total portfolio. At the time of purchase and as of June 30, 2007, these issues received the highest investment grade rating of AAA by Standard & Poors and Aaa by Moody's. As of September 14, 2007, these issues were still rated AAA by Standard and Poors. Standard and Poors downgraded these two issues to BBB on October 30, 2007 and CCC on November 9, 2007. As of November 26, 2007, the Board still holds these two issues at amortized cost in the STIP portfolio.**

**13. YEAR END PORTFOLIOS**

**The June 30, 2007 portfolios of each Pool are listed on the following pages. The security type percentage is based on the fair value or the amortized cost ratio of the specific security investment type to the total portfolio.**

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<b>Security Name</b>	<b>Retirement Funds Bond Pool</b>					
	<b>Coupon</b>	<b>Maturity</b>	<b>Par</b>	<b>Book Value</b>	<b>Fair Value</b>	
SHORT TERM INVESTMENT POOL	NA	NA	113,252,415	113,252,415	113,252,415	5.76%
<b>Cash Equivalents</b>	<b>1 Issue(s)</b>		<b>113,252,415</b>	<b>113,252,415</b>	<b>113,252,415</b>	<b>5.76%</b>
AA / FT WORTH HQ FINANCE TRUST	5.500	10/05/10	5,172,099	5,172,099	5,139,774	0.26%
AOL TIME WARNER INC	6.750	04/15/11	10,000,000	10,352,122	10,340,940	0.53%
ACE INA HOLDINGS INC	5.700	02/15/17	3,000,000	3,010,772	2,918,106	0.15%
AERO 1 HQ FINANCE TRUST	4.640	07/07/10	5,745,000	5,745,000	5,587,013	0.28%
AMERICA WEST AIRLINES EQUIPMENT TRUST	7.930	01/02/19	4,069,435	4,069,435	4,382,578	0.22%
AMERICAN EXPRESS CO	4.750	06/17/09	3,000,000	2,998,033	2,968,671	0.15%
AMERICAN GENERAL FINANCE CORP	4.625	05/15/09	6,000,000	6,010,759	5,917,164	0.30%
ANHEUSER BUSCH COS INC	5.600	03/01/17	3,000,000	3,011,055	2,927,652	0.15%
ARIA CDO	VAR	10/10/12	25,000,000	25,000,000	27,087,500	1.38%
ATCHISON TOPEKA + SANTA FE RY	6.550	01/06/13	4,276,974	4,276,974	4,355,152	0.22%
B J SERVICES	5.750	06/01/11	7,000,000	6,992,786	6,993,798	0.36%
BANC AMER COML MTG TRUST 2007-1	5.381	01/15/49	15,000,000	15,070,191	14,816,840	0.75%
BANC AMER COML MTG TRUST 2006-4	5.363	07/10/46	3,711,835	3,719,483	3,700,007	0.19%
BANC AMER COML MTG TRUST 2006-5	5.185	09/10/47	9,438,531	9,456,897	9,360,603	0.48%
BANC AMER COML MTG TRUST 2007-2	5.634	04/10/49	9,000,000	9,044,680	8,983,182	0.46%
BAYERISCHE LANDESBANK	VAR	09/27/11	25,000,000	25,000,000	20,781,250	1.06%
BEAR STEARNS COML MTG TRUST 2007 PW16	5.593	06/11/40	10,000,000	10,024,873	10,024,957	0.51%
BELLSOUTH CORP	4.750	11/15/12	2,000,000	1,996,720	1,911,372	0.10%
BELLSOUTH TELECOMM INC	6.300	12/15/15	11,530,200	12,361,613	11,671,722	0.59%
BISHOPSGATE CDO LTD	5.180	06/30/10	25,000,000	25,000,000	24,542,500	1.25%
BURLINGTON NORTHERN RR CO	7.970	01/01/15	2,773,570	2,773,570	2,773,570	0.14%
BURLINGTON NORTHERN RR CO	6.940	01/02/14	2,715,398	2,715,398	2,715,398	0.14%
BURLINGTON NORTHERN + SANTA FE	4.575	01/15/21	2,309,254	2,242,681	2,170,090	0.11%
CYPRESSTREE SYNTHETIC CDO	VAR	12/30/10	25,000,000	25,000,000	25,722,500	1.31%
CIT GROUP INC	5.800	07/28/11	6,000,000	5,996,626	5,984,316	0.30%
CSX CORP	7.900	05/01/17	5,000,000	5,080,041	5,581,487	0.28%
CVS CAREMARK CORP	5.750	06/01/17	5,000,000	4,931,305	4,824,110	0.25%
CANADIAN NATIONAL RAILWAY CO	6.800	07/15/18	6,000,000	5,973,884	6,425,549	0.33%
CANADIAN PACIFIC LTD	9.450	08/01/21	5,000,000	5,115,946	6,637,783	0.34%
CAPITAL ONE BANK	5.000	06/15/09	6,000,000	5,995,562	5,953,842	0.30%
CENTEX CORP	4.550	11/01/10	9,000,000	8,992,185	8,584,344	0.44%
CHICAGO + NORTH WESTERN RY	8.910	01/01/15	6,946,653	6,946,653	7,668,442	0.39%
CITIGROUP INC	6.200	03/15/09	5,000,000	4,940,565	5,080,710	0.26%
COMCAST CORP	7.050	03/15/33	3,000,000	3,262,374	3,096,396	0.16%
COMCAST CORP	5.450	11/15/10	3,000,000	3,006,246	2,984,349	0.15%
COMMERCIAL MORTGAGE TRUST 2006-C7	5.540	06/10/46	7,076,548	7,087,858	7,084,437	0.36%
CONOCOPHILLIPS CANADA	5.625	10/15/16	7,000,000	6,999,480	6,887,755	0.35%
CONTINENTAL AIRLINES EQUIPMENT TRUST	6.545	08/02/20	6,234,431	6,234,431	6,343,534	0.32%
CORPORATE PROPERTY REIT	7.875	03/15/16	12,000,000	12,038,705	13,528,954	0.69%
CREDIT SUISSE FIRST BOSTON USA	6.500	01/15/12	10,000,000	10,485,210	10,357,760	0.53%
DOT HEADQUARTERS II LEASE MORTGAGE	6.001	12/07/21	30,000,000	30,000,000	30,093,600	1.53%
DEER PARK REFINING L P	6.470	12/15/08	2,050,100	2,044,215	2,065,576	0.11%
DONNELLEY R R + SONS CO	4.950	04/01/14	5,000,000	4,715,530	4,567,835	0.23%
DUN + BRADSTREET CORP	5.500	03/15/11	10,000,000	9,998,888	9,954,040	0.51%
EASTERN ENERGY LTD	7.250	12/01/16	5,000,000	4,957,650	5,578,864	0.28%
EL PASO NATURAL GAS CO	8.625	01/15/22	5,000,000	5,169,194	5,833,440	0.30%
ENTERGY ARKANSAS INC	4.500	06/01/10	7,000,000	6,981,915	6,776,942	0.34%
FPL ENERGY NATIONAL WIND LLC	5.608	03/10/24	2,682,270	2,682,270	2,601,507	0.13%
FIRST CHICAGO CORP	6.375	01/30/09	4,000,000	3,938,886	4,067,402	0.21%
FIRST UNION BANK N C	5.800	12/01/08	6,000,000	5,904,562	6,049,211	0.31%
FLORIDA GAS TRANSMISSION CO	9.190	11/01/24	9,000,000	8,958,443	9,939,060	0.51%
FORD MOTOR CREDIT CO	7.375	10/28/09	8,000,000	8,003,040	7,974,603	0.41%
FORTUNE BRANDS INC	5.375	01/15/16	4,000,000	3,978,503	3,713,780	0.19%
GSPA MONETIZATION TRUST	6.422	10/09/29	13,000,000	13,114,232	13,012,740	0.66%
GALENA CDO I	VAR	01/11/13	12,000,000	12,000,000	12,144,000	0.62%
GENERAL AMERICAN TRANSN CORP EQUIP TR	8.420	01/01/15	6,329,110	6,329,110	6,903,854	0.35%
GE COML MTG CORP TRUST 2002-C3	5.417	12/10/49	15,000,000	15,073,129	14,829,806	0.75%

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<b>Security Name</b>	<b>Retirement Funds Bond Pool</b>					<b>Fair Value</b>	<b>%</b>
	<b>Coupon</b>	<b>Maturity</b>	<b>Par</b>	<b>Book Value</b>			
GENERAL ELECTRIC CAPITAL CORP	8.125	05/15/12	5,000,000	5,139,596	5,544,055	0.28%	
GENERAL ELECTRIC CAPITAL CORP	5.000	01/08/16	3,000,000	2,983,322	2,841,858	0.14%	
GENERAL MOTORS ACCEPTANCE CORP	6.125	08/28/07	5,000,000	5,000,617	5,000,220	0.25%	
GENWORTH FINANCIAL INC	5.650	06/15/12	5,000,000	4,998,664	5,021,207	0.26%	
GENWORTH GLOBAL FUNDING TRUST	5.125	03/15/11	5,000,000	4,989,544	4,934,650	0.25%	
GEORGIA POWER CO	5.250	12/15/15	3,000,000	3,000,152	2,893,854	0.15%	
GOLDMAN SACHS GROUP INC	5.300	02/14/12	3,000,000	2,997,003	2,952,477	0.15%	
GREAT RIVER ENERGY	5.829	07/01/17	13,000,000	13,000,000	13,027,170	0.66%	
HSBC FINANCE CORP	5.500	01/19/16	10,000,000	9,961,465	9,636,750	0.49%	
HSBC FINANCE CORP	5.900	06/19/12	5,000,000	4,993,195	5,022,180	0.26%	
HAWAIIAN ELECTRIC IND'S INC	6.141	08/15/11	3,000,000	3,000,000	3,023,886	0.15%	
ING SEC LIFE INSTITUTIONAL FUND	4.250	01/15/10	7,000,000	6,992,213	6,802,222	0.35%	
INTERNATIONAL LEASE FINANCE CORP	4.550	10/15/09	2,000,000	2,003,607	1,960,572	0.10%	
INTERNATIONAL PAPER CO	4.000	04/01/10	4,000,000	4,000,693	3,839,368	0.20%	
J P MORGAN CHASE COML MTG TRUST 2004N C1	4.555	06/12/41	12,000,000	11,999,890	11,822,413	0.60%	
J P MORGAN CHASE COML MTG TRUST 2004-C1	3.053	01/15/38	1,834,149	1,833,635	1,773,958	0.09%	
JERSEY CENTRAL POWER + LIGHT CO	5.650	06/01/17	5,000,000	4,982,696	4,854,085	0.25%	
JOHNSON CONTROLS INC	5.250	01/15/11	2,000,000	1,986,354	1,979,476	0.10%	
KCT INTERMODAL EQUIP TRUST 1998	6.884	08/01/18	3,151,467	3,151,467	3,294,546	0.17%	
KELLWOOD CO	7.625	10/15/17	12,000,000	11,863,318	11,568,876	0.59%	
KERR MCGEE CORP	7.125	10/15/27	7,000,000	7,074,537	7,424,050	0.38%	
KEY BANK NA	5.450	03/03/16	10,000,000	9,997,919	9,677,150	0.49%	
KRAFT FOODS INC	4.125	11/12/09	2,000,000	1,995,386	1,937,506	0.10%	
LEHMAN BROTHERS HOLDINGS INC	VAR	05/25/10	5,000,000	5,000,000	4,995,585	0.25%	
MGIC INVESTMENT CORP	5.375	11/01/15	10,000,000	9,879,057	9,392,410	0.48%	
ML CFC COML MTG TRUST 2007-7	5.549	06/12/50	10,000,000	10,024,414	10,005,196	0.51%	
MACMILLAN BLOEDEL LTD	7.700	02/15/26	10,000,000	9,856,776	10,282,958	0.52%	
MARSH + MCLENNAN COS INC	7.125	06/15/09	7,000,000	6,998,434	7,192,777	0.37%	
MCKESSON CORP	5.250	03/01/13	4,000,000	3,984,106	3,904,944	0.20%	
MEAD CORP	7.350	03/01/17	11,000,000	10,994,063	11,838,298	0.60%	
MED MAP L L C MONTANA 1994 SERIES	7.060	06/01/24	8,595,000	8,595,000	8,933,471	0.45%	
MED MAP L L C MONTANA 2001 SERIES	7.000	06/01/24	5,500,000	5,500,000	5,691,895	0.29%	
METLIFE INC	5.000	11/24/13	5,000,000	4,969,247	4,807,135	0.24%	
METROPOLITAN LIFE GLOBAL	4.250	07/30/09	3,000,000	2,999,377	2,938,308	0.15%	
MOBIL CORP	5.940	01/15/19	7,576,809	7,576,809	7,687,900	0.39%	
NATIONAL CITY BANK	5.800	06/07/17	5,000,000	4,982,756	4,938,280	0.25%	
NEWS AMERICA INC	6.150	03/01/37	7,000,000	7,080,857	6,452,803	0.33%	
NORFOLK SOUTHERN CORP	7.700	05/15/17	6,000,000	6,020,491	6,608,096	0.34%	
PPL MONTANA LLC	8.903	07/02/20	18,513,461	18,576,365	20,353,092	1.04%	
PACIFIC BELL	7.250	11/01/27	6,000,000	5,965,692	6,024,229	0.31%	
PANAMERICAN BEVERAGES INC	7.250	07/01/09	8,000,000	8,048,859	8,240,000	0.42%	
PHILLIPS PETROLEUM CO	7.125	03/15/28	11,000,000	10,868,902	11,059,759	0.56%	
PRUDENTIAL FINANCIAL INC	5.500	03/15/16	10,000,000	9,821,443	9,772,740	0.50%	
PUGET SOUND POWER + LIGHT CO	5.197	10/01/15	9,000,000	8,829,963	8,571,231	0.44%	
RAS LAFFAN LIQUEFIED NATURAL GAS	5.298	09/30/20	3,000,000	2,873,744	2,803,230	0.14%	
SLM CORP	5.375	01/15/13	10,000,000	9,990,567	8,830,980	0.45%	
ST PAUL TRAVELERS COS INC	6.250	06/20/16	2,000,000	2,119,746	2,033,028	0.10%	
SEARIVER MARITIME FINANCIAL HOLDINGS	0.000	09/01/12	30,000,000	23,749,140	22,778,037	1.16%	
SECURITY CAPITAL GROUP INC	7.700	06/15/28	3,000,000	3,460,987	3,528,392	0.18%	
SOUTHERN UNION CO	7.600	02/01/24	7,000,000	7,030,288	7,373,096	0.38%	
SOUTHWEST GAS CORP	8.375	02/15/11	6,000,000	5,992,280	6,452,459	0.33%	
SOUTHWEST GAS CORP	7.625	05/15/12	5,000,000	5,395,761	5,325,930	0.27%	
SOUTHWESTERN BELL TEL CO	7.000	11/15/27	3,000,000	2,997,189	2,965,211	0.15%	
TTX CO	6.050	06/15/16	7,500,000	7,486,813	7,460,625	0.38%	
TEXAS GAS TRANSMISSION CORP	7.250	07/15/27	3,000,000	2,799,483	3,319,076	0.17%	
TIME WARNER INC	6.625	05/15/29	7,000,000	7,223,595	6,796,594	0.35%	
TRANSCONTINENTAL GAS PIPE LINE	7.250	12/01/26	3,000,000	3,002,544	3,285,000	0.17%	
TRAVELERS COS INC	5.375	06/15/12	2,000,000	1,990,533	1,978,186	0.10%	
TRISTATE GENERATION/TRANSPORT ASSOC	6.040	01/31/18	7,167,680	7,225,047	7,081,266	0.36%	

**STATE OF MONTANA BOARD OF INVESTMENTS  
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<b>Security Name</b>	<b>Retirement Funds Bond Pool</b>					<b>Fair Value</b>	<b>%</b>
	<b>Coupon</b>	<b>Maturity</b>	<b>Par</b>	<b>Book Value</b>			
ULTRAMAR DIAMOND SHAMROCK CORP	7.200	10/15/17	3,000,000	2,985,734	3,102,350	0.16%	
UNION PACIFIC CORP	4.875	01/15/15	3,000,000	2,880,243	2,799,123	0.14%	
UNION PACIFIC RESOURCES GROUP INC	7.050	05/15/18	12,000,000	11,946,966	12,428,912	0.63%	
UNION TANK CAR CO	7.450	06/01/09	5,000,000	5,000,000	5,184,106	0.26%	
UNITEDHEALTH GROUP INC	4.875	04/01/13	3,000,000	2,859,990	2,861,001	0.15%	
VERIZON COMMUNICATIONS INC	5.500	04/01/17	3,000,000	2,979,600	2,891,337	0.15%	
VERIZON NORTH INC	5.634	01/01/21	6,000,000	5,783,513	5,489,700	0.28%	
VIRGINIA ELECTRIC + POWER CO	5.400	01/15/16	10,000,000	9,944,834	9,645,780	0.49%	
WACHOVIA BANK NA	5.600	03/15/16	10,000,000	9,988,003	9,817,210	0.50%	
WASHINGTON MUTUAL INC	4.200	01/15/10	9,000,000	8,993,093	8,722,917	0.44%	
WELLPOINT INC	5.875	06/15/17	7,000,000	6,950,056	6,895,203	0.35%	
WESTERN PROPERTIES REIT	7.200	09/15/08	3,000,000	2,978,539	3,062,265	0.16%	
WESTVACO CORP	7.650	03/15/27	9,000,000	8,969,609	9,501,186	0.48%	
WEYERHAEUSER CO	8.500	01/15/25	7,000,000	7,246,753	7,980,902	0.41%	
WYNDHAM WORLDWIDE CORP	6.000	12/01/16	6,000,000	5,972,556	5,786,826	0.29%	
XANTERRA SOUTH RIM LLC	5.690	12/15/11	10,000,000	10,000,000	10,000,000	0.51%	
ZIONS BANCORPORATION	5.650	05/15/14	4,000,000	3,950,557	3,940,260	0.20%	
<b>Corporate (Rated)</b>	<b>133 Issue(s)</b>		<b>969,899,974</b>	<b>965,267,421</b>	<b>969,566,185</b>	<b>49.35%</b>	
WILMINGTON TRUST TUCSON ELECTRIC	10.211	01/01/09	2,550,229	2,550,229	2,639,028	0.13%	
AMERICAN PRESIDENT COS LTD	8.000	01/15/24	5,000,000	4,778,389	4,650,000	0.24%	
MERIDIAN TRAILER TRAIN EQUIPMENT TRUST	9.850	01/29/10	607,589	607,589	633,211	0.03%	
MERIDIAN TRAILER TRAIN EQUIPMENT TRUST	9.850	01/29/08	107,034	107,034	108,156	0.01%	
<b>Corporate (Unrated)</b>	<b>4 Issue(s)</b>		<b>8,264,852</b>	<b>8,043,241</b>	<b>8,030,395</b>	<b>0.41%</b>	
ASTRO OFFSHORE CORP USGG XI	6.000	12/20/19	10,075,000	10,075,000	10,254,537	0.52%	
ENSCO OFFSHORE CO USGG XI	6.360	12/01/15	5,666,895	5,666,895	5,848,236	0.30%	
GNMA II POOL 001254	9.500	09/20/19	18,831	18,770	20,767	0.00%	
GNMA POOL 046249	10.000	12/15/10	3,280	3,272	3,462	0.00%	
GNMA POOL 135544	10.000	01/15/16	29,262	29,168	32,097	0.00%	
GLOBAL INDUSTRIES LTD USGG XI	7.710	02/15/25	7,200,000	7,200,000	7,137,432	0.36%	
TUNISIA ASIA USGG XI	6.710	02/01/24	3,680,742	3,529,868	3,680,742	0.19%	
USGG SHIPPING + CENAC TOWING USGG XI	7.000	05/15/21	6,912,000	6,912,000	6,912,000	0.35%	
UNITED STATES TREASURY NOTES TIPS	4.250	01/15/10	6,141,100	6,366,683	6,373,792	0.32%	
UNITED STATES TREASURY NOTES TIPS	3.000	07/15/12	5,746,450	5,831,821	5,857,787	0.30%	
UNITED STATES TREASURY NOTES TIPS	2.000	01/15/14	5,591,750	5,344,729	5,373,761	0.27%	
UNITED STATES TREASURY NOTES TIPS	2.375	01/15/17	5,123,400	4,966,688	5,002,119	0.25%	
VESSEL MANAGEMENT SERVICES INC USGG XI	6.080	05/20/24	10,200,000	10,200,000	10,502,328	0.53%	
VESSEL MANAGEMENT SERVICES INC USGG XI	6.750	06/15/25	7,400,000	7,400,000	8,036,992	0.41%	
<b>U.S. Government Direct-Backed</b>	<b>14 Issue(s)</b>		<b>73,788,710</b>	<b>73,544,894</b>	<b>75,036,052</b>	<b>3.82%</b>	
FARMER MAC GUARANTEED NOTES TRUST	4.875	01/14/11	15,000,000	14,664,150	14,814,756	0.75%	
FEDERAL HOME LOAN POOL G10173	6.000	01/01/09	217,791	217,681	218,685	0.01%	
FEDERAL HOME LOAN POOL G11670	4.000	03/01/15	22,295,567	22,011,200	21,336,107	1.09%	
FEDERAL HOME LOAN POOL G11777	5.000	10/01/20	23,816,334	23,627,888	23,034,362	1.17%	
FEDERAL HOME LOAN POOL G30006	7.000	07/01/13	226,389	227,281	230,698	0.01%	
FEDERAL HOME LOAN POOL E99081	4.500	09/01/18	16,179,325	16,101,027	15,421,496	0.78%	
FEDERAL HOME LOAN POOL G02070	5.500	03/01/36	26,781,498	26,211,507	25,890,494	1.32%	
FEDERAL HOME LOAN POOL G11994	5.500	05/01/21	25,552,402	25,364,593	25,173,304	1.28%	
FEDERAL HOME LOAN POOL G12369	5.500	10/01/21	19,675,262	19,642,989	19,383,359	0.99%	
FEDERAL HOME LOAN POOL C90973	6.000	06/01/26	22,492,148	22,308,327	22,490,156	1.14%	
FEDERAL HOME LOAN MORTGAGE CORP	5.000	06/18/18	15,000,000	15,000,000	14,412,767	0.73%	
FEDERAL HOME LOAN MORTGAGE CORP	4.000	06/12/13	13,000,000	12,251,220	12,112,022	0.62%	
FEDERAL HOME LOAN MORTGAGE CORP	5.125	07/18/18	15,000,000	15,000,000	14,471,855	0.74%	
FEDERAL HOME LOAN MORTGAGE CORP	4.500	04/02/14	11,000,000	10,970,277	10,469,261	0.53%	
FREDDIE MAC	4.100	01/28/14	35,000,000	35,000,000	34,097,035	1.74%	
FEDERAL HOME LOAN MORTGAGE CORP	5.000	01/30/14	13,000,000	12,997,173	12,742,860	0.65%	
FEDERAL HOME LOAN MORTGAGE CORP	4.825	09/23/15	15,000,000	14,162,633	14,238,000	0.72%	
FEDERAL HOME LOAN MORTGAGE CORP	5.550	10/04/16	15,000,000	15,027,628	14,790,810	0.75%	
FEDERAL HOME LOAN MORTGAGE CORP	0.000	07/13/37	100,000,000	12,693,430	12,693,430	0.65%	
FEDERAL HOME LOAN MORTGAGE PC REMIC IO	VAR	08/15/07	16,500	1	30	0.00%	
FEDERAL HOME LOAN MORTGAGE PC REMIC IO	VAR	09/15/07	14,852	1	60	0.00%	

**STATE OF MONTANA BOARD OF INVESTMENTS**  
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<b>Security Name</b>	<b>Retirement Funds Bond Pool</b>					<b>Fair Value</b>	<b>%</b>
	<b>Coupon</b>	<b>Maturity</b>	<b>Par</b>	<b>Book Value</b>			
FEDERAL HOME LOAN POOL C01523	5.000	03/01/33	8,660,583	8,595,608	8,156,848	0.42%	
FEDERAL HOME LOAN POOL E00247	5.500	10/01/08	234,180	234,023	233,561	0.01%	
FEDERAL HOME LOAN POOL E00659	6.000	04/01/14	377,106	376,925	379,212	0.02%	
FEDERAL HOME LOAN POOL E01376	4.000	04/01/18	17,967,942	17,862,381	16,675,793	0.85%	
FEDERAL HOME LOAN POOL E01418	4.000	07/01/18	17,704,166	17,359,805	16,496,442	0.84%	
FEDERAL HOME LOAN POOL E01425	4.500	08/01/18	17,732,963	17,695,773	16,902,926	0.86%	
FEDERAL HOME LOAN POOL B13150	4.000	03/01/19	19,067,069	19,067,069	17,766,606	0.90%	
FEDERAL AGRICULTURAL MORTGAGE CORP	6.710	07/28/14	17,000,000	18,584,307	18,312,094	0.93%	
FEDERAL FARM CREDIT BANKS	5.450	04/21/20	12,000,000	11,736,580	11,506,224	0.59%	
FEDERAL FARM CREDIT BANKS	5.200	12/27/12	5,000,000	5,000,000	4,934,805	0.25%	
FEDERAL HOME LOAN POOL G11812	5.000	12/01/20	28,906,182	28,533,463	27,957,092	1.42%	
FEDERAL HOME LOAN POOL G11900	5.500	02/01/21	20,336,934	20,007,322	20,046,136	1.02%	
FEDERAL HOME LOAN BANKS	4.250	07/17/13	13,000,000	12,352,833	12,226,422	0.62%	
FEDERAL HOME LOAN BANKS	7.000	08/26/19	8,000,000	7,979,856	9,057,664	0.46%	
FEDERAL HOME LOAN BANKS	7.450	02/03/20	15,000,000	15,077,255	17,627,610	0.90%	
FEDERAL HOME LOAN BANKS	4.125	08/13/10	10,000,000	10,064,815	9,696,240	0.49%	
FEDERAL HOME LOAN BANKS	5.000	05/26/10	15,000,000	15,000,000	14,923,440	0.76%	
FEDERAL HOME LOAN MORTGAGE PC REMIC	9.300	11/15/20	68,929	67,484	68,579	0.00%	
FEDERAL HOME LOAN MORTGAGE CORP	8.250	06/01/26	8,000,000	8,221,734	9,985,952	0.51%	
FEDERAL HOME LOAN MORTGAGE CORP	0.000	06/05/28	150,000,000	35,918,897	35,263,500	1.79%	
FEDERAL HOME LOAN MORTGAGE CORP	0.000	09/14/29	100,000,000	21,901,328	20,977,300	1.07%	
FEDERAL NATL MTG ASSN REMIC IO	VAR	08/25/07	10,740	1	26	0.00%	
FEDERAL NATIONAL MORTGAGE ASSOCIATION	5.000	04/26/17	15,000,000	14,558,065	14,312,895	0.73%	
FEDERAL NATIONAL MORTGAGE ASSOCIATION	7.250	01/15/10	17,000,000	16,998,499	17,816,714	0.91%	
FEDERAL NATIONAL MORTGAGE ASSOCIATION	6.625	11/15/10	5,000,000	5,073,381	5,212,688	0.27%	
FEDERAL NATIONAL MORTGAGE ASSOCIATION	6.625	11/15/30	6,000,000	7,210,944	6,761,706	0.34%	
FEDERAL NATIONAL MORTGAGE ASSOCIATION	4.500	08/15/08	10,000,000	10,000,000	9,915,800	0.50%	
FEDERAL NATL MTG ASSN REMIC	9.500	03/25/20	238,535	236,129	258,222	0.01%	
FNMA POOL 256600	5.500	02/01/27	29,361,364	29,390,113	28,597,354	1.46%	
FNMA POOL 256083	6.000	01/01/26	20,161,479	20,090,198	20,149,195	1.03%	
FNMA POOL 256714	5.500	05/01/27	14,889,685	14,815,726	14,495,846	0.74%	
FNMA POOL 303365	6.500	05/01/09	331,564	330,309	337,729	0.02%	
FNMA POOL 303125	7.500	01/01/10	115,443	115,316	116,199	0.01%	
FNMA POOL 303202	6.500	05/01/14	452,942	450,416	456,972	0.02%	
FNMA POOL 303590	7.000	11/01/10	203,980	203,979	206,402	0.01%	
FNMA POOL 313999	6.000	02/01/13	477,614	476,280	479,797	0.02%	
FNMA POOL 572220	6.000	03/01/16	484,885	483,963	488,313	0.02%	
FNMA POOL 592327	5.500	06/01/16	1,059,544	1,042,946	1,050,149	0.05%	
FNMA POOL 725346	4.000	03/01/19	19,417,633	19,251,801	18,071,530	0.92%	
FNMA POOL 745250	5.000	01/01/21	24,568,943	24,471,345	23,760,758	1.21%	
FNMA POOL 780956	4.500	05/01/19	19,519,083	19,514,167	18,570,878	0.95%	
TENNESSEE VALLEY AUTHORITY	4.875	12/15/16	5,000,000	4,881,784	4,777,340	0.24%	
U S ARMY HOSPITALITY FUND	7.467	05/01/32	14,182,111	14,182,111	15,777,599	0.80%	
<b>U.S. Government Indirect -Backed</b>	<b>64 Issue(s)</b>	<b>1,091,799,667</b>	<b>808,893,937</b>	<b>798,830,104</b>	<b>40.66%</b>		
<b>Total RFBP</b>	<b>216 Issue(s)</b>	<b>2,257,005,618</b>	<b>1,969,001,908</b>	<b>1,964,715,151</b>	<b>100.00%</b>		

**STATE OF MONTANA BOARD OF INVESTMENTS  
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<b>Security Name</b>	<b>Trust Funds Bond Pool</b>		<b>Book Value</b>	<b>Fair Value</b>	<b>%</b>
	<b>Coupon</b>	<b>Maturity</b>			
SHORT TERM INVESTMENT POOL	NA	NA	62,783,945	62,783,945	62,783,945 4.57%
<b>Cash Equivalents</b>	<b>1 Issue(s)</b>		<b>62,783,945</b>	<b>62,783,945</b>	<b>62,783,945 4.57%</b>
AA / FT WORTH HQ FINANCE TRUST	5.500	10/05/10	6,723,730	6,723,730	6,681,706 0.49%
AOL TIME WARNER INC	6.750	04/15/11	5,000,000	5,176,061	5,170,470 0.38%
ACE INA HOLDINGS INC	5.700	02/15/17	2,000,000	2,000,259	1,945,404 0.14%
AERO 1 HQ FINANCE TRUST	4.640	07/07/10	9,255,000	9,255,000	9,000,488 0.65%
AMERICA WEST AIRLINES EQUIPMENT TR	7.930	01/02/19	2,712,957	2,712,957	2,921,719 0.21%
AMERICAN EXPRESS CO	4.750	06/17/09	2,000,000	1,998,689	1,979,114 0.14%
AMERICAN GENERAL FINANCE CORP	4.625	05/15/09	4,000,000	4,007,173	3,944,776 0.29%
ANHEUSER BUSCH COS INC	5.600	03/01/17	2,000,000	2,007,370	1,951,768 0.14%
B J SERVICES	5.750	06/01/11	5,000,000	4,994,847	4,995,570 0.36%
BANC AMER COML MTG TRUST 2007-1	5.381	01/15/49	10,000,000	10,046,794	9,877,893 0.72%
BANC AMER COML MTG TRUST 2006-4	5.363	07/10/46	2,783,876	2,789,612	2,775,005 0.20%
BANC AMER COML MTG TRUST 2006-5	5.185	09/10/47	5,663,119	5,674,138	5,616,362 0.41%
BANC AMER COML MTG TRUST 2007-2	5.634	04/10/49	6,000,000	6,029,787	5,988,788 0.44%
BANK AMERICA CORP	5.375	08/15/11	5,000,000	4,984,297	4,978,150 0.36%
BAYERISCHE LANDES BANK	VAR	09/27/11	15,000,000	15,000,000	12,468,750 0.91%
BEAR STEARNS COML MTG TRUST 2007 PW16	5.593	06/11/40	5,000,000	5,012,437	5,012,479 0.36%
BELLSOUTH CORP	4.750	11/15/12	3,000,000	2,995,080	2,867,058 0.21%
BELLSOUTH TELECOMM INC	6.300	12/15/15	8,647,650	9,271,210	8,753,791 0.64%
BISHOPSGATE CDO LTD	5.180	06/30/10	10,000,000	10,000,000	9,817,000 0.71%
BURLINGTON NORTHERN RR CO	7.970	01/01/15	2,773,570	2,773,570	2,773,570 0.20%
BN SANTA FE EQUIPMENT TRUST	7.160	01/02/20	11,862,525	11,862,525	12,527,594 0.91%
BURLINGTON NORTHERN + SANTA FE	4.575	01/15/21	2,309,254	2,242,681	2,170,090 0.16%
CIT GROUP EQUIPMENT TRUST	6.490	01/05/21	9,551,942	9,551,942	9,750,038 0.71%
CIT GROUP INC	5.800	07/28/11	4,000,000	3,997,751	3,989,544 0.29%
CNA FINANCIAL CORP	6.450	01/15/08	5,000,000	5,007,341	5,021,905 0.37%
CSX CORP	7.900	05/01/17	5,000,000	5,080,041	5,581,487 0.41%
CANADIAN NATIONAL RAILWAY CO	6.800	07/15/18	4,000,000	3,984,897	4,283,700 0.31%
CAPITAL ONE BANK	5.000	06/15/09	4,000,000	3,997,042	3,969,228 0.29%
CENTEX CORP	4.550	11/01/10	6,000,000	5,994,790	5,722,896 0.42%
CHICAGO + NORTH WESTERN RY	8.910	01/01/15	3,473,327	3,473,327	3,834,221 0.28%
CITIGROUP INC	6.200	03/15/09	5,000,000	4,940,565	5,080,710 0.37%
COMCAST CORP	7.050	03/15/33	2,000,000	2,174,916	2,064,264 0.15%
COMCAST CORP	5.450	11/15/10	2,000,000	2,004,164	1,989,566 0.14%
COMMERCIAL MORTGAGE TRUST 2006-C7	5.540	06/10/46	4,422,842	4,429,911	4,427,773 0.32%
CONOCOPHILLIPS CANADA	5.625	10/15/16	7,000,000	6,999,480	6,887,755 0.50%
CONTINENTAL AIRLINES EQUIPMENT TRUST	6.545	08/02/20	5,455,127	5,455,127	5,550,592 0.40%
CORPORATE PROPERTY REIT	7.875	03/15/16	3,000,000	2,995,449	3,382,238 0.25%
CREDIT SUISSE FIRST BOSTON USA	6.500	01/15/12	5,000,000	5,242,605	5,178,880 0.38%
CYPRESSTREE SYNTHETIC CDO	VAR	12/30/10	15,000,000	15,000,000	15,433,500 1.12%
DOT HEADQUARTERS II LEASE MORTGAGE	6.001	12/07/21	20,000,000	20,000,000	20,062,400 1.46%
DEER PARK REFINING L P	6.470	12/15/08	1,025,050	1,021,127	1,032,788 0.08%
DONNELLEY R R + SONS CO	4.950	04/01/14	5,000,000	4,715,530	4,567,835 0.33%
DUN + BRADSTREET CORP	5.500	03/15/11	5,000,000	5,001,925	4,977,020 0.36%
EASTERN ENERGY LTD	7.250	12/01/16	10,000,000	9,915,301	11,157,728 0.81%
ENTERGY ARKANSAS INC	4.500	06/01/10	5,000,000	4,987,082	4,840,673 0.35%
FIRST CHICAGO CORP	6.375	01/30/09	4,000,000	3,938,886	4,067,402 0.30%
FIRST UNION BANK N C	5.800	12/01/08	4,000,000	3,936,375	4,032,808 0.29%
FLORIDA GAS TRANSMISSION CO	9.190	11/01/24	4,500,000	4,500,000	4,969,530 0.36%
FLORIDA GAS TRANSMISSION CO	7.000	07/17/12	3,000,000	2,997,805	3,092,090 0.22%
FORD MOTOR CREDIT CO	7.375	10/28/09	7,000,000	7,002,660	6,977,778 0.51%
FORTUNE BRANDS INC	5.375	01/15/16	3,000,000	2,983,877	2,785,335 0.20%
GSPA MONETIZATION TRUST	6.422	10/09/29	12,000,000	12,105,445	12,011,760 0.87%
GALENA CDO I	VAR	01/11/13	9,000,000	9,000,000	9,108,000 0.66%
GE COML MTG CORP TRUST 2002-C3	5.417	12/10/49	10,000,000	10,048,753	9,886,537 0.72%
GENERAL AMERICAN CORP EQUIP TRUST	8.420	01/01/15	6,329,110	6,329,110	6,903,854 0.50%
GENERAL ELECTRIC CAPITAL CORP	5.000	01/08/16	2,000,000	1,988,882	1,894,572 0.14%
GENERAL MOTORS ACCEPTANCE CORP	6.125	08/28/07	5,000,000	5,000,617	5,000,220 0.36%

**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

<b>Security Name</b>	<b>Trust Funds Bond Pool</b>			<b>Book Value</b>	<b>Fair Value</b>	<b>%</b>
	<b>Coupon</b>	<b>Maturity</b>	<b>Par</b>			
GENWORTH GLOBAL FUNDING TRUST	5.125	03/15/11	5,000,000	4,989,544	4,934,650	0.36%
GEORGIA POWER CO	5.250	12/15/15	2,000,000	2,000,101	1,929,236	0.14%
GOLDMAN SACHS GROUP INC	5.300	02/14/12	2,000,000	1,998,002	1,968,318	0.14%
GREAT RIVER ENERGY	5.829	07/01/17	7,000,000	7,000,000	7,014,630	0.51%
HSBC FINANCE CORP	5.500	01/19/16	5,000,000	4,980,732	4,818,375	0.35%
HSBC FINANCE CORP	5.900	06/19/12	5,000,000	4,993,195	5,022,180	0.37%
HAWAIIAN ELECTRIC IND'S INC	6.141	08/15/11	4,000,000	4,000,000	4,031,848	0.29%
ING SEC LIFE INSTITUTIONAL FUND	4.250	01/15/10	5,000,000	4,994,438	4,858,730	0.35%
INTERNATIONAL LEASE FINANCE CORP	4.550	10/15/09	3,000,000	3,005,410	2,940,858	0.21%
INTERNATIONAL PAPER CO	4.000	04/01/10	6,000,000	5,999,900	5,759,052	0.42%
JPMORGAN CHASE COML MTG TR 2004PN C1	4.555	06/12/41	8,000,000	7,999,927	7,881,609	0.57%
JPMORGAN CHASE COML MTG TR 2004C1	3.053	01/15/38	5,502,448	5,501,402	5,321,873	0.39%
JPMORGAN CHASE COML MTG TR 2006CIBC17	5.279	12/12/43	9,413,445	9,432,658	9,351,342	0.68%
JERSEY CENTRAL POWER + LIGHT CO	5.650	06/01/17	4,000,000	3,986,157	3,883,268	0.28%
KCT INTERMODAL EQUIP TRUST 1998	6.884	08/01/18	1,575,733	1,575,733	1,647,273	0.12%
KELLWOOD CO	7.625	10/15/17	8,000,000	7,937,778	7,712,584	0.56%
KERR MCGEE CORP	7.125	10/15/27	3,000,000	3,031,944	3,181,736	0.23%
KEY BANK NA	5.450	03/03/16	5,000,000	4,998,959	4,838,575	0.35%
LEHMAN BROTHERS HOLDINGS INC	VAR	05/25/10	5,000,000	5,000,000	4,995,585	0.36%
MGIC INVESTMENT CORP	5.375	11/01/15	5,000,000	4,939,528	4,696,205	0.34%
ML CFC COML MTG TRUST 2007-7	5.549	06/12/50	5,000,000	5,012,207	5,002,598	0.36%
MACMILLAN BLOEDEL LTD	7.700	02/15/26	5,000,000	4,907,862	5,141,479	0.37%
MARSH + MCLENNAN COS INC	7.125	06/15/09	5,000,000	5,023,863	5,137,698	0.37%
MCKESSON CORP	5.250	03/01/13	3,000,000	2,988,080	2,928,708	0.21%
MEAD CORP	7.350	03/01/17	4,000,000	3,997,841	4,304,836	0.31%
MED MAP L L C MONTANA 1994 SERIES	7.060	06/01/24	4,005,000	4,005,000	4,162,717	0.30%
MED MAP L L C MONTANA 2001 SERIES	7.000	06/01/24	4,230,000	4,230,000	4,377,585	0.32%
MELLON FUNDING CORP	VAR	05/15/14	5,000,000	5,000,000	5,000,930	0.36%
METLIFE INC	5.000	11/24/13	5,000,000	4,969,247	4,807,135	0.35%
METROPOLITAN LIFE GLOBAL	4.250	07/30/09	2,000,000	1,999,585	1,958,872	0.14%
MOBIL CORP	5.940	01/15/19	7,576,809	7,576,809	7,687,900	0.56%
NEWS AMERICA INC	6.150	03/01/37	3,000,000	3,034,653	2,765,487	0.20%
NORFOLK SOUTHERN CORP	7.700	05/15/17	4,000,000	4,009,702	4,405,398	0.32%
PPL MONTANA LLC	8.903	07/02/20	18,513,461	18,576,365	20,353,092	1.48%
PACIFIC BELL	7.250	11/01/27	4,000,000	3,977,128	4,016,153	0.29%
PANAMERICAN BEVERAGES INC	7.250	07/01/09	8,000,000	8,024,752	8,240,000	0.60%
PHILLIPS PETROLEUM CO	7.125	03/15/28	4,000,000	3,952,328	4,021,730	0.29%
PRUDENTIAL FINANCIAL INC	5.500	03/15/16	5,000,000	4,910,721	4,886,370	0.36%
PUGET SOUND POWER + LIGHT CO	5.197	10/01/15	6,000,000	5,886,642	5,714,154	0.42%
RAS LAFFAN LIQUEFIED NATURAL GAS	5.298	09/30/20	2,000,000	1,915,830	1,868,820	0.14%
SLM CORP	5.375	01/15/13	5,000,000	4,995,283	4,415,490	0.32%
ST PAUL TRAVELERS COS INC	6.250	06/20/16	3,000,000	3,179,619	3,049,542	0.22%
SEARIVER MARITIME FINANCIAL HOLDINGS	0.000	09/01/12	20,000,000	15,831,764	15,185,358	1.10%
SECURITY CAPITAL GROUP INC	7.700	06/15/28	2,000,000	2,307,325	2,352,261	0.17%
SOUTHERN UNION CO	7.600	02/01/24	8,000,000	7,514,200	8,426,395	0.61%
SOUTHWEST GAS CORP	8.375	02/15/11	8,000,000	8,004,361	8,603,279	0.63%
SOUTHWESTERN BELL TEL CO	7.000	11/15/27	2,000,000	1,998,126	1,976,807	0.14%
TTX CO	6.050	06/15/16	5,000,000	4,991,209	4,973,750	0.36%
TEXAS GAS TRANSMISSION CORP	7.250	07/15/27	2,000,000	1,866,322	2,212,717	0.16%
TIME WARNER INC	6.625	05/15/29	3,000,000	3,095,827	2,912,826	0.21%
TRANSCONTINENTAL GAS PIPE LINE	7.250	12/01/26	2,000,000	2,009,490	2,190,000	0.16%
TRAVELERS COS INC	5.375	06/15/12	1,000,000	995,266	989,093	0.07%
TRISTATE GENERATION/TRANSPORT ASSOC	6.040	01/31/18	6,271,720	6,309,965	6,196,108	0.45%
USX MARATHON GROUP	9.375	02/15/12	5,000,000	5,650,486	5,728,860	0.42%
ULTRAMAR DIAMOND SHAMROCK CORP	7.200	10/15/17	2,000,000	1,990,489	2,068,233	0.15%
UNION PACIFIC RESOURCES GROUP INC	7.050	05/15/18	6,000,000	5,953,600	6,214,456	0.45%
UNION TANK CAR CO	7.450	06/01/09	5,000,000	5,000,000	5,184,106	0.38%
UNITEDHEALTH GROUP INC	4.875	04/01/13	2,000,000	1,906,660	1,907,334	0.14%
VERIZON COMMUNICATIONS INC	5.500	04/01/17	2,000,000	1,986,400	1,927,558	0.14%

**STATE OF MONTANA BOARD OF INVESTMENTS**  
**CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

<b>Security Name</b>	<b>Trust Funds Bond Pool</b>					
	<b>Coupon</b>	<b>Maturity</b>	<b>Par</b>	<b>Book Value</b>	<b>Fair Value</b>	<b>%</b>
VERIZON NORTH INC	5.634	01/01/21	3,000,000	2,891,757	2,744,850	0.20%
VIRGINIA ELECTRIC + POWER CO	5.400	01/15/16	5,000,000	4,972,417	4,822,890	0.35%
WACHOVIA BANK NA	5.600	03/15/16	5,000,000	4,994,002	4,908,605	0.36%
WASHINGTON MUTUAL INC	4.200	01/15/10	6,000,000	5,995,395	5,815,278	0.42%
WELLPOINT INC	5.875	06/15/17	3,000,000	2,978,595	2,955,087	0.21%
WESTERN PROPERTIES REIT	7.200	09/15/08	1,000,000	992,846	1,020,755	0.07%
WESTVACO CORP	7.650	03/15/27	6,000,000	5,979,739	6,334,124	0.46%
WEYERHAEUSER CO	8.500	01/15/25	8,000,000	9,062,691	9,121,030	0.66%
XANTERRA SOUTH RIM LLC	5.690	12/15/11	8,000,000	8,000,000	8,000,000	0.58%
ZIONS BANCORPORATION	5.650	05/15/14	3,000,000	2,962,918	2,955,195	0.21%
<b>Corporate (Rated)</b>	<b>126 Issue(s)</b>		<b>672,577,695</b>	<b>670,141,710</b>	<b>672,495,745</b>	<b>48.91%</b>
WILMINGTON TRUST TUCSON ELECTRIC	10.211	01/01/09	1,275,115	1,275,115	1,319,514	0.10%
<b>Corporate (Unrated)</b>	<b>1 Issue</b>		<b>1,275,115</b>	<b>1,275,115</b>	<b>1,319,514</b>	<b>0.10%</b>
MONTANA STATE BOARD HOUSING	8.450	08/01/39	1,130,000	1,130,000	1,180,500	0.09%
<b>Municipal Government Bonds(Rated)</b>	<b>1 Issue</b>		<b>1,130,000</b>	<b>1,130,000</b>	<b>1,180,500</b>	<b>0.09%</b>
CRP (42 Issues)	6.00-7.50	11/15/07-19	2,287,149	2,287,149	2,287,149	0.17%
<b>Municipal Government Bonds(Unrated)</b>	<b>42 Issue(s)</b>		<b>2,287,149</b>	<b>2,287,149</b>	<b>2,287,149</b>	<b>0.17%</b>
GNMA POOL 032974	9.500	09/15/09	11,637	11,433	11,945	0.00%
GNMA POOL 038164	10.000	01/15/10	24,588	24,559	25,603	0.00%
GNMA POOL 039321	10.000	12/15/09	9,728	9,716	10,110	0.00%
GNMA POOL 281467	9.000	09/15/19	7,087	7,066	7,658	0.00%
GLOBAL INDUSTRIES LTD USGG XI	7.710	02/15/25	7,200,000	7,200,000	7,137,432	0.52%
REINAUER MARITIME CO LLC USGG XI	6.500	06/30/28	17,716,000	17,716,000	18,654,239	1.36%
T T BARGE SERVICES USGG XI	6.450	12/16/12	1,120,900	1,120,900	1,146,524	0.08%
TUNISIA ASIA USGG XI	6.710	02/01/24	3,680,742	3,529,868	3,680,742	0.27%
VESSEL MANAGEMENT SERVICES USGG XI	6.080	05/20/24	16,472,000	16,472,000	16,960,230	1.23%
<b>U.S. Government Direct-Backed</b>	<b>9 Issue(s)</b>		<b>46,242,681</b>	<b>46,091,542</b>	<b>47,634,484</b>	<b>3.46%</b>
FARMER MAC GUARANTEED NOTES TRUST	4.875	01/14/11	10,000,000	9,776,100	9,876,504	0.72%
FEDERAL HOME LOAN POOL G10814	5.500	05/01/13	356,130	355,973	354,921	0.03%
FEDERAL HOME LOAN POOL G10173	6.000	01/01/09	93,339	93,292	93,722	0.01%
FEDERAL HOME LOAN POOL G11670	4.000	03/01/15	9,555,243	9,433,371	9,144,046	0.67%
FEDERAL HOME LOAN POOL G11777	5.000	10/01/20	15,877,556	15,751,925	15,356,241	1.12%
FEDERAL HOME LOAN POOL G30006	7.000	07/01/13	177,877	177,877	181,263	0.01%
FEDERAL HOME LOAN POOL E99081	4.500	09/01/18	12,712,327	12,650,807	12,116,890	0.88%
FEDERAL HOME LOAN POOL G02070	5.500	03/01/36	17,854,332	17,474,338	17,260,329	1.26%
FEDERAL HOME LOAN POOL G11994	5.500	05/01/21	17,034,935	16,909,729	16,782,203	1.22%
FEDERAL HOME LOAN POOL G12369	5.500	10/01/21	16,097,942	16,071,537	15,859,112	1.15%
FEDERAL HOME LOAN POOL C90973	6.000	06/01/26	22,492,148	22,308,327	22,490,156	1.64%
FEDERAL HOME LOAN MORTGAGE CORP	5.000	06/18/18	20,000,000	20,000,000	19,217,022	1.40%
FEDERAL HOME LOAN MORTGAGE CORP	4.000	06/12/13	12,000,000	11,308,818	11,180,328	0.81%
FEDERAL HOME LOAN MORTGAGE CORP	5.125	07/18/18	15,000,000	15,000,000	14,471,855	1.05%
FEDERAL HOME LOAN MORTGAGE CORP	4.500	04/02/14	9,000,000	8,975,681	8,565,759	0.62%
FREDDIE MAC	4.100	01/28/14	30,000,000	30,000,000	29,226,030	2.13%
FEDERAL HOME LOAN MORTGAGE CORP	5.000	01/30/14	12,000,000	11,997,391	11,762,640	0.86%
FEDERAL HOME LOAN MORTGAGE CORP	4.825	09/23/15	10,000,000	9,441,755	9,492,000	0.69%
FEDERAL HOME LOAN MORTGAGE CORP	5.550	10/04/16	10,000,000	10,018,418	9,860,540	0.72%
FEDERAL HOME LOAN MORTGAGE CORP	0.000	07/13/37	100,000,000	12,693,430	12,693,430	0.92%
FEDERAL HOME LOAN MORTGAGE PC REMIC	9.150	10/15/20	57,537	57,019	57,537	0.00%
FEDERAL HOME LOAN POOL C01523	5.000	03/01/33	5,773,722	5,730,405	5,437,899	0.40%
FEDERAL HOME LOAN POOL E00247	5.500	10/01/08	98,204	98,138	97,945	0.01%
FEDERAL HOME LOAN POOL E00659	6.000	04/01/14	527,949	527,695	530,897	0.04%
FEDERAL HOME LOAN POOL E01376	4.000	04/01/18	11,978,628	11,908,254	11,117,196	0.81%
FEDERAL HOME LOAN POOL E01418	4.000	07/01/18	11,802,777	11,472,929	10,997,628	0.80%
FEDERAL HOME LOAN POOL E01425	4.500	08/01/18	11,821,975	11,797,182	11,268,617	0.82%
FEDERAL HOME LOAN POOL B13150	4.000	03/01/19	12,711,379	12,711,379	11,844,404	0.86%
FEDERAL AGRICULTURAL MORTGAGE CORP	6.710	07/28/14	8,000,000	8,745,556	8,617,456	0.63%
FEDERAL FARM CREDIT BANKS	5.450	04/21/20	6,000,000	5,868,290	5,753,112	0.42%
FEDERAL FARM CREDIT BANKS	5.200	12/27/12	4,000,000	4,000,000	3,947,844	0.29%
FEDERAL HOME LOAN POOL G11812	5.000	12/01/20	12,388,364	12,228,627	11,981,611	0.87%

**STATE OF MONTANA BOARD OF INVESTMENTS  
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<b>Security Name</b>	<b>Trust Funds Bond Pool</b>					
	<b>Coupon</b>	<b>Maturity</b>	<b>Par</b>	<b>Book Value</b>	<b>Fair Value</b>	<b>%</b>
FEDERAL HOME LOAN POOL G11900	5.500	02/01/21	16,269,547	16,005,858	16,036,909	1.17%
FEDERAL HOME LOAN BANKS	4.250	07/17/13	7,000,000	6,651,525	6,583,458	0.48%
FEDERAL HOME LOAN BANKS	7.000	08/26/19	7,000,000	6,970,245	7,925,456	0.58%
FEDERAL HOME LOAN BANKS	7.450	02/03/20	10,000,000	10,051,503	11,751,740	0.85%
FEDERAL HOME LOAN BANKS	4.125	08/13/10	5,000,000	5,032,408	4,848,120	0.35%
FEDERAL HOME LOAN BANKS	5.000	05/26/10	5,000,000	5,000,000	4,974,480	0.36%
FEDERAL HOME LOAN MORTGAGE CORP	8.250	06/01/26	7,000,000	7,194,017	8,737,708	0.64%
FEDERAL HOME LOAN MORTGAGE CORP	0.000	06/05/28	50,000,000	11,972,966	11,754,500	0.85%
FEDERAL HOME LOAN MORTGAGE CORP	0.000	09/14/29	100,000,000	21,901,328	20,977,300	1.53%
FEDERAL NATIONAL MORTGAGE	5.000	04/26/17	10,000,000	9,705,377	9,541,930	0.69%
FEDERAL NATIONAL MORTGAGE	7.250	01/15/10	15,000,000	14,980,700	15,720,630	1.14%
FEDERAL NATIONAL MORTGAGE	6.625	11/15/30	4,000,000	4,807,296	4,507,804	0.33%
FEDERAL NATIONAL MORTGAGE	4.500	08/15/08	10,000,000	10,000,000	9,915,800	0.72%
FNMA POOL 254233	5.000	03/01/17	4,569,104	4,461,105	4,435,779	0.32%
FNMA POOL 254631	5.000	02/01/18	5,631,655	5,633,680	5,462,565	0.40%
FNMA POOL 256600	5.500	02/01/27	19,574,243	19,593,409	19,064,903	1.39%
FNMA POOL 256083	6.000	01/01/26	20,161,479	20,090,197	20,149,195	1.47%
FNMA POOL 256714	5.500	05/01/27	19,852,913	19,755,843	19,327,795	1.41%
FNMA POOL 303202	6.500	05/01/14	679,413	675,626	685,457	0.05%
FNMA POOL 313999	6.000	02/01/13	238,807	238,140	239,898	0.02%
FNMA POOL 572220	6.000	03/01/16	484,885	483,963	488,313	0.04%
FNMA POOL 592327	5.500	06/01/16	815,034	802,266	807,807	0.06%
FNMA POOL 725346	4.000	03/01/19	12,945,089	12,834,534	12,047,687	0.88%
FNMA POOL 745250	5.000	01/01/21	16,379,295	16,314,230	15,840,505	1.15%
FNMA POOL 780956	4.500	05/01/19	13,012,722	13,009,445	12,380,586	0.90%
TENNESSEE VALLEY AUTHORITY	4.875	12/15/16	5,000,000	4,881,784	4,777,340	0.35%
U S ARMY HOSPITALITY FUND	7.467	05/01/32	9,454,741	9,454,741	10,518,399	0.77%
<b>U.S. Government Indirect-Backed</b>	<b>59 Issue(s)</b>	<b>800,481,290</b>	<b>594,086,430</b>	<b>587,139,201</b>	<b>42.71%</b>	
<b>TFBP Total</b>	<b>239 Issue(s)</b>	<b>1,586,777,875</b>	<b>1,377,795,892</b>	<b>1,374,840,538</b>	<b>100.00%</b>	

**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

<b><u>Security Name</u></b>	<b>Montana Domestic Equity Pool</b>			
	<b><u>Shares</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
EXXON MOBIL CORP	614,400	24,389,457	51,535,872	1.49%
GENERAL ELEC CO	1,331,800	35,927,102	50,981,304	1.47%
SPDR TRUST	210,000	31,477,593	31,590,300	0.91%
CITIGROUP INC	592,800	15,679,300	30,404,712	0.88%
MICROSOFT CORP	1,012,100	31,601,098	29,826,587	0.86%
JOHNSON + JOHNSON	418,900	12,576,929	25,812,618	0.74%
AMERICAN INTL GROUP INC	358,500	20,230,841	25,105,755	0.72%
PROCTER AND GAMBLE CO	395,700	20,503,147	24,212,883	0.70%
AT+T INC	549,289	17,479,209	22,795,494	0.66%
BANK AMER CORP	426,100	18,273,056	20,832,029	0.60%
GOOGLE INC	39,500	17,854,594	20,673,510	0.60%
CHEVRON CORP	231,100	9,993,419	19,467,864	0.56%
JPMORGAN CHASE + CO	396,700	14,657,736	19,220,115	0.55%
CISCO SYS INC	640,700	10,469,889	17,843,495	0.51%
WELLS FARGO + CO NEW	490,400	6,629,158	17,247,368	0.50%
UNITED TECHNOLOGIES CORP	233,300	5,812,354	16,547,969	0.48%
INTERNATIONAL BUSINESS MACHS	156,500	8,217,352	16,471,625	0.48%
HEWLETT PACKARD CO	356,600	11,415,953	15,911,492	0.46%
PFIZER INC	577,200	20,498,212	14,759,004	0.43%
BOEING CO	149,000	12,756,639	14,327,840	0.41%
APPLE INC	113,300	7,850,929	13,827,132	0.40%
CONOCOPHILLIPS	172,800	7,732,821	13,564,800	0.39%
WAL MART STORES INC	278,900	13,810,964	13,417,879	0.39%
PEPSICO INC	206,200	10,920,239	13,372,070	0.39%
GOLDMAN SACHS GROUP INC	55,700	11,204,269	12,072,975	0.35%
ALTRIA GROUP INC	172,100	7,299,760	12,071,094	0.35%
QUALCOMM INC	275,800	9,651,248	11,966,962	0.35%
INTEL CORP	495,000	6,526,594	11,761,200	0.34%
ABBOTT LABS	217,800	3,096,054	11,663,190	0.34%
MERCK + CO INC	233,800	9,959,422	11,643,240	0.34%
SCHLUMBERGER LTD	136,000	5,401,101	11,551,840	0.33%
COMCAST CORP NEW	405,550	9,817,091	11,404,066	0.33%
ORACLE CORP	576,500	9,311,668	11,362,815	0.33%
COCA COLA CO	205,400	9,480,073	10,744,474	0.31%
MEDTRONIC INC	206,800	9,826,949	10,724,648	0.31%
UNITEDHEALTH GROUP INC	195,600	8,962,806	10,002,984	0.29%
AMERICAN EXPRESS CO	155,500	6,654,245	9,513,490	0.27%
LILLY ELI + CO	169,200	9,855,329	9,454,896	0.27%
WYETH	159,500	8,794,387	9,145,730	0.26%
MORGAN STANLEY	107,900	7,739,860	9,050,652	0.26%
MERRILL LYNCH + CO INC	100,500	8,018,260	8,399,790	0.24%
TYCO INTL LTD	247,100	6,927,772	8,349,509	0.24%
TIME WARNER INC NEW	383,800	11,063,361	8,075,152	0.23%
GILEAD SCIENCES INC	208,100	6,912,177	8,068,037	0.23%
CVS CAREMARK CORP	212,419	6,954,955	7,742,673	0.22%
3M CO	88,200	6,402,775	7,654,878	0.22%
HOME DEPOT INC	194,400	7,466,444	7,649,640	0.22%
TRANSOCEAN INC	67,200	5,229,058	7,121,856	0.21%
TARGET CORP	111,900	5,530,480	7,116,840	0.21%
TEXAS INSTRS INC	183,300	6,690,364	6,897,579	0.20%
STARBUCKS CORP	251,100	8,365,600	6,588,864	0.19%
COSTCO WHSL CORP NEW	106,000	5,409,832	6,203,120	0.18%
COACH INC	129,900	6,421,912	6,155,961	0.18%

**STATE OF MONTANA BOARD OF INVESTMENTS  
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<b><u>Security Name</u></b>	<b><u>Montana Domestic Equity Pool</u></b>			
	<b><u>Shares</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
WACHOVIA CORP 2ND NEW	116,678	4,746,111	5,979,748	0.17%
CATERPILLAR INC	75,500	4,898,506	5,911,650	0.17%
CELGENE CORP	102,000	5,684,724	5,847,660	0.17%
US BANCORP DEL	177,200	5,323,352	5,838,740	0.17%
STATE STREET CORPORATION	85,200	5,701,064	5,827,680	0.17%
CORNING INC	224,500	5,306,205	5,735,975	0.17%
NEWS CORP	268,400	4,966,993	5,692,764	0.16%
BANK NEW YORK INC	132,700	5,052,021	5,499,088	0.16%
LOWES COS INC	178,100	5,769,580	5,465,889	0.16%
WELLPOINT INC	67,700	4,885,230	5,404,491	0.16%
AMGEN INC	97,600	5,972,655	5,396,304	0.16%
MONSANTO CO NEW	79,500	4,093,000	5,369,430	0.15%
BAXTER INTL INC	89,600	4,496,982	5,048,064	0.15%
AIR PRODS + CHEMS INC	62,400	4,689,810	5,015,088	0.14%
EMERSON ELEC CO	107,100	2,664,496	5,012,280	0.14%
UNION PAC CORP	42,500	4,583,303	4,893,875	0.14%
PRUDENTIAL FINL INC	50,100	4,412,742	4,871,223	0.14%
ZIMMER HOLDINGS INC	56,700	4,354,154	4,813,263	0.14%
CARDINAL HEALTH INC	67,100	4,803,958	4,739,944	0.14%
DISNEY WALT CO	138,200	4,162,781	4,718,148	0.14%
DEERE + CO	38,900	4,067,319	4,696,786	0.14%
DAVITA INC	84,500	4,840,251	4,552,860	0.13%
LEGG MASON INC	46,100	4,465,107	4,535,318	0.13%
ST JUDE MED INC	107,600	4,244,905	4,464,324	0.13%
ALLERGAN INC	76,800	4,121,778	4,426,752	0.13%
FEDERAL HOME LN MTG CORP	72,700	3,955,358	4,412,890	0.13%
SCHERING PLOUGH CORP	140,800	3,456,083	4,285,952	0.12%
MELLON FINL CORP	97,400	4,049,906	4,285,600	0.12%
FEDERAL NATL MTG ASSN	64,600	3,889,475	4,220,318	0.12%
DELL INC	147,300	3,580,431	4,205,415	0.12%
DEVON ENERGY CORPORATION NEW	53,700	3,347,658	4,204,173	0.12%
AKAMAI TECHNOLOGIES INC	85,800	3,895,949	4,173,312	0.12%
BRISTOL MYERS SQUIBB CO	132,000	3,679,575	4,165,920	0.12%
TRAVELERS COS INC	76,300	3,381,617	4,082,050	0.12%
METLIFE INC	62,800	3,815,545	4,049,344	0.12%
ANHEUSER BUSCH COS INC	77,600	3,934,408	4,047,616	0.12%
EMC CORP	219,600	3,069,310	3,974,760	0.11%
COUNTRYWIDE FINL CORP	109,300	4,103,608	3,973,055	0.11%
AMERICAN TOWER CORP	94,500	3,695,377	3,969,000	0.11%
ADOBE SYS INC	97,500	3,594,569	3,914,625	0.11%
COLGATE PALMOLIVE CO	60,100	3,645,442	3,897,485	0.11%
HONEYWELL INTL INC	69,000	2,921,444	3,883,320	0.11%
MOTOROLA INC	204,600	3,886,883	3,621,420	0.10%
DOW CHEM CO	81,800	3,768,813	3,617,196	0.10%
APACHE CORP	44,300	2,851,280	3,614,437	0.10%
LEHMAN BROTHERS HLDGS INC	48,500	3,649,544	3,614,220	0.10%
THERMO FISHER SCIENTIFIC INC	69,600	3,188,478	3,599,712	0.10%
EBAY INC	108,100	3,986,704	3,478,658	0.10%
AUTOZONE INC	25,100	3,172,969	3,429,162	0.10%
CITRIX SYS INC	98,500	3,003,197	3,316,495	0.10%
WALGREEN CO	75,900	3,416,852	3,304,686	0.10%
KOHLS CORP	46,500	2,979,464	3,302,895	0.10%
NORTHERN TRUST CORP	51,200	3,032,678	3,289,088	0.09%

**STATE OF MONTANA BOARD OF INVESTMENTS  
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<b><u>Security Name</u></b>	<b>Montana Domestic Equity Pool</b>			
	<b><u>Shares</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
MEMC ELECTR MATLS INC	53,200	3,004,616	3,251,584	0.09%
VERIZON COMMUNICATIONS	75,900	2,485,447	3,124,803	0.09%
TEXTRON INC	27,900	2,558,448	3,072,069	0.09%
NOBLE ENERGY INC	49,200	2,947,419	3,069,588	0.09%
CAPITALSOURCE INC	124,700	3,325,984	3,066,373	0.09%
WESTERN DIGITAL CORP	157,400	2,972,638	3,045,690	0.09%
MCDONALDS CORP	58,900	2,203,669	2,989,764	0.09%
AES CORP	136,300	3,001,738	2,982,244	0.09%
KELLOGG CO	55,600	2,756,750	2,879,524	0.08%
CB RICHARD ELLIS GROUP INC	76,700	2,798,037	2,799,550	0.08%
FREEPORT MCMORAN COPPER + GOLD	33,531	2,219,797	2,777,037	0.08%
NUVEEN INVTS INC	44,400	2,281,156	2,759,460	0.08%
MATTEL INC	109,100	2,871,422	2,759,139	0.08%
OCCIDENTAL PETE CORP	46,200	2,171,236	2,674,056	0.08%
YAHOO INC	98,000	3,064,057	2,658,740	0.08%
CUMMINS INC	26,200	1,890,006	2,651,702	0.08%
EDISON INTL	47,200	2,530,275	2,648,864	0.08%
SYSCO CORP	79,700	2,573,163	2,629,303	0.08%
BJ SVCS CO	90,800	2,540,046	2,582,352	0.07%
PRICE T ROWE GROUP INC	49,700	2,276,300	2,578,933	0.07%
ECOLAB INC	60,300	2,529,727	2,574,810	0.07%
ALLEGHANY CORP DEL	6,226	2,442,055	2,530,869	0.07%
GLOBAL SANTAFE CORPORATION	34,900	2,001,891	2,521,525	0.07%
LOEWS CORP	49,300	1,916,139	2,513,314	0.07%
AVNET INC	63,300	2,379,042	2,509,212	0.07%
LABORATORY CORP AMER HLDGS	31,700	2,355,359	2,480,842	0.07%
KROGER CO	87,800	2,202,071	2,469,814	0.07%
UNITED STS STL CORP NEW	22,700	2,069,117	2,468,625	0.07%
GENERAL DYNAMICS CORP	31,500	2,313,838	2,463,930	0.07%
APPLIED MATERIALS INC	122,400	2,150,234	2,432,088	0.07%
PAYCHEX INC	61,500	2,313,028	2,405,880	0.07%
ALLSTATE CORP	38,900	2,370,390	2,392,739	0.07%
HUMANA INC	39,200	2,389,574	2,387,672	0.07%
SAFEWAY INC	70,100	2,270,491	2,385,503	0.07%
BROADRIDGE FINL SOLUTIONS INC	124,600	2,574,834	2,382,352	0.07%
DU PONT E I DE NEMOURS + CO	46,700	2,283,975	2,374,228	0.07%
PG+E CORP	52,200	2,421,996	2,364,660	0.07%
BED BATH + BEYOND INC	64,800	2,499,727	2,332,152	0.07%
GATX CORPORATION	47,200	2,338,809	2,324,600	0.07%
FEDEX CORP	20,800	2,233,514	2,308,176	0.07%
AUTOMATIC DATA PROCESSING INC	47,400	1,993,544	2,297,478	0.07%
FOREST LABS INC	50,000	2,580,883	2,282,500	0.07%
CIMAREX ENERGY CO	57,600	2,099,494	2,270,016	0.07%
STRYKER CORP	35,900	1,873,149	2,264,931	0.07%
SEMPRA ENERGY	38,000	2,291,627	2,250,740	0.06%
NABORS INDUSTRIES LTD	66,900	2,072,261	2,233,122	0.06%
AFLAC INC	43,200	1,993,338	2,220,480	0.06%
AFFILIATED MANAGERS GROUP INC	17,200	1,931,564	2,214,672	0.06%
CHESAPEAKE ENERGY CORP	63,700	2,011,665	2,204,020	0.06%
SEI INVESTMENTS CO	75,500	2,422,836	2,192,520	0.06%
BROADCOM CORP	74,900	2,449,320	2,190,825	0.06%
AMDOCS LTD	54,900	1,929,151	2,186,118	0.06%
AMBAC FINL GROUP INC	24,900	2,192,788	2,171,031	0.06%

**STATE OF MONTANA BOARD OF INVESTMENTS  
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<b><u>Security Name</u></b>	<b><u>Montana Domestic Equity Pool</u></b>			
	<b><u>Shares</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
ELECTRONIC DATA SYS CORP NEW	77,900	2,256,913	2,160,167	0.06%
EXELON CORP	29,600	1,865,824	2,148,960	0.06%
UNITED PARCEL SVC INC	29,400	2,106,939	2,146,200	0.06%
FOREST OIL CORP	50,300	1,663,970	2,125,678	0.06%
AUTODESK INCORPORATED	44,400	1,667,849	2,090,352	0.06%
MOHAWK IND'S INC	20,500	1,918,030	2,066,195	0.06%
CAMPBELL SOUP CO	52,800	2,138,023	2,049,168	0.06%
HASBRO INC	64,000	1,896,752	2,010,240	0.06%
ANNALY CAPITAL MANAGEMENT INC	139,300	1,941,493	2,008,706	0.06%
NVIDIA CORP	48,300	1,507,887	1,995,273	0.06%
PIONEER NAT RES CO	40,900	1,640,252	1,992,239	0.06%
ENTERGY CORP NEW	18,400	1,800,146	1,975,240	0.06%
DANAHER CORP	26,100	1,784,594	1,970,550	0.06%
FORTUNE BRANDS INC	23,900	1,302,621	1,968,643	0.06%
VULCAN MATLS CO	17,100	2,062,971	1,958,634	0.06%
POOL CORP	49,800	1,817,985	1,943,694	0.06%
INGRAM MICRO INC	88,200	1,773,950	1,914,822	0.06%
MOLSON COORS BREWING CO	20,600	1,726,647	1,904,676	0.05%
VIACOM INC NEW	45,700	2,013,739	1,902,491	0.05%
SELECT SECTOR SPDR TR	47,800	1,739,655	1,891,924	0.05%
ISHARES RUSSELL	22,925	1,877,792	1,888,103	0.05%
AMAZON COM INC	27,500	1,389,054	1,881,275	0.05%
SUNTRUST BKS INC	21,600	1,780,030	1,851,984	0.05%
ALLIED WASTE INDUSTRIES INC	137,500	1,805,644	1,850,750	0.05%
STUDENT LN CORP	8,800	1,706,904	1,794,320	0.05%
PACTIV CORP	55,700	1,800,230	1,776,273	0.05%
THOR IND'S INC	39,300	1,708,149	1,774,002	0.05%
DRS TECHNOLOGIES INC	30,475	1,639,127	1,745,303	0.05%
AMERICAN STD COS INC DEL	29,500	1,613,295	1,739,910	0.05%
NOKIA CORP	61,400	1,263,767	1,725,954	0.05%
CONVERGYS CORP	70,800	1,796,068	1,716,192	0.05%
TIFFANY + CO NEW	32,200	1,471,640	1,708,532	0.05%
XTO ENERGY INC	28,400	1,488,499	1,706,840	0.05%
STARWOOD HOTELS + RESORTS INC	25,300	1,806,155	1,696,871	0.05%
MARTIN MARIETTA MATLS INC	10,400	1,449,313	1,685,008	0.05%
L 3 COMMUNICATIONS HLDG CORP	17,300	1,541,361	1,684,847	0.05%
FRANKLIN RES INC	12,700	1,376,892	1,682,369	0.05%
RYDER SYS INC	31,100	1,657,621	1,673,180	0.05%
XEROX CORP	89,900	1,619,306	1,661,352	0.05%
ANALOG DEVICES INC	44,100	1,456,415	1,659,924	0.05%
TIDEWATER INC	23,400	1,265,004	1,658,592	0.05%
ECHOSTAR COMMUNICATIONS CORP N	38,000	1,618,490	1,648,060	0.05%
ALLIED WORLD ASSURANCE COMPANY	32,000	1,376,932	1,640,000	0.05%
SPRINT NEXTEL CORP	78,800	1,686,145	1,631,948	0.05%
ALCOA INC	40,100	1,328,722	1,625,253	0.05%
DOLLAR TREE STORES INC	37,300	1,289,461	1,624,415	0.05%
CELANESE CORP DE	41,600	1,243,008	1,613,248	0.05%
NEUSTAR INC	55,400	1,720,172	1,604,938	0.05%
EATON CORP	17,100	1,503,107	1,590,300	0.05%
DOVER CORP	31,000	1,570,031	1,585,650	0.05%
JUNIPER NETWORKS INC	62,800	1,235,386	1,580,676	0.05%
FPL GROUP INC	27,800	1,698,334	1,577,372	0.05%
WHITE MOUNTAINS INS GROUP LTD	2,600	1,486,606	1,575,652	0.05%

**STATE OF MONTANA BOARD OF INVESTMENTS  
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<b><u>Security Name</u></b>	<b>Montana Domestic Equity Pool</b>			
	<b><u>Shares</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
LAMAR ADVERTISING CO	25,100	1,595,143	1,575,276	0.05%
MEREDITH CORP	25,500	1,519,193	1,570,800	0.05%
ALLEGHENY TECHNOLOGIES INC	14,900	1,276,881	1,562,712	0.05%
DADE BEHRING HLDGS INC	28,900	1,200,795	1,535,168	0.04%
BEST BUY CO INC	32,700	1,557,515	1,526,109	0.04%
BMC SOFTWARE INC	49,800	1,482,846	1,508,940	0.04%
SYMANTEC CORP	74,400	1,360,079	1,502,880	0.04%
INTERNATIONAL GAME TECHNOLOGY	37,500	1,466,883	1,488,750	0.04%
LEXMARK INTL INC	30,100	1,870,331	1,484,231	0.04%
JOHNSON CTLS INC	12,800	1,161,210	1,481,856	0.04%
UNITED STATES CELLULAR CORP	16,300	1,168,662	1,476,780	0.04%
GARMIN LTD	19,900	1,082,148	1,472,003	0.04%
NATIONWIDE FINL SVCS INC	23,000	1,253,530	1,454,060	0.04%
AON CORP	33,800	1,281,072	1,440,218	0.04%
RAYTHEON CO	26,700	1,338,798	1,438,863	0.04%
WILLIAMS COS INC	45,500	1,270,488	1,438,710	0.04%
TERADYNE INC	81,700	1,369,727	1,436,286	0.04%
COVENTRY HEALTH CARE INC	24,900	1,412,826	1,435,485	0.04%
FIRSTENERGY CORP	22,100	1,322,924	1,430,533	0.04%
MONSTER WORLDWIDE INC	34,800	1,714,333	1,430,280	0.04%
ACTUANT CORP	22,525	1,165,451	1,420,427	0.04%
CADENCE DESIGN SYS INC	64,300	1,378,656	1,412,028	0.04%
SONOCO PRODS CO	32,800	1,247,056	1,404,168	0.04%
CHICAGO MERCANTILE EXCHANGE	2,620	1,300,804	1,400,023	0.04%
BOSTON PPTYS INC	13,700	1,438,619	1,399,181	0.04%
LOCKHEED MARTIN CORP	14,800	1,281,389	1,393,124	0.04%
PACCAR INC	16,000	1,211,604	1,392,640	0.04%
DENBURY RES INC	37,000	1,092,535	1,387,500	0.04%
MOODYS CORP	22,300	1,454,994	1,387,060	0.04%
ALLIANT TECHSYSTEMS INC	13,975	1,228,148	1,385,621	0.04%
NOVELLUS SYS INC	48,600	1,520,335	1,378,782	0.04%
HALLIBURTON CO	39,800	565,038	1,373,100	0.04%
ROPER IND	24,000	1,267,934	1,370,400	0.04%
GENERAL MLS INC	23,400	1,293,129	1,367,028	0.04%
DIRECTV GROUP INC	58,900	1,389,159	1,361,179	0.04%
CONSTELLATION ENERGY GROUP INC	15,600	1,298,331	1,359,852	0.04%
JONES LANG LASALLE INC	11,900	1,284,419	1,350,650	0.04%
PROLOGIS	23,600	1,507,358	1,342,840	0.04%
FASTENAL CO	31,900	1,201,640	1,335,334	0.04%
MCGRAW HILL COS INC	19,600	1,142,802	1,334,368	0.04%
EQUITY RESIDENTIAL	29,200	1,349,156	1,332,396	0.04%
HEALTH CARE REIT INC	33,000	1,334,493	1,331,880	0.04%
KINETIC CONCEPTS INC	25,500	1,298,452	1,325,235	0.04%
WEATHERFORD INTERNATIONAL LTD	23,900	1,100,640	1,320,236	0.04%
AMERICAN EAGLE OUTFITTERS INC	51,300	1,608,121	1,316,358	0.04%
MICROCHIP TECHNOLOGY INC	35,500	1,313,506	1,314,920	0.04%
BEA SYS INC	96,000	1,075,807	1,314,240	0.04%
ENERGEN CORP	23,900	1,322,889	1,313,066	0.04%
SHIRE PLC	17,700	1,180,767	1,312,101	0.04%
HARLEY DAVIDSON INC	22,000	1,422,185	1,311,420	0.04%
METTLER TOLEDO INTL INC	13,700	1,241,220	1,308,487	0.04%
RANGE RES CORP	34,800	1,093,711	1,301,868	0.04%
GARDNER DENVER INC	30,500	1,086,492	1,297,775	0.04%

**STATE OF MONTANA BOARD OF INVESTMENTS  
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<b><u>Security Name</u></b>	<b>Montana Domestic Equity Pool</b>			
	<b><u>Shares</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
REGAL ENTMT GROUP	59,000	1,316,299	1,293,870	0.04%
NVR INC	1,900	1,374,500	1,291,525	0.04%
VIRGIN MEDIA INC	52,900	1,465,446	1,289,173	0.04%
VERISIGN INC	40,500	1,054,419	1,285,065	0.04%
COMERICA INC	21,600	1,364,700	1,284,552	0.04%
CHOICEPOINT INC	30,200	1,186,717	1,281,990	0.04%
CENTURYTEL INC	26,100	1,109,024	1,280,205	0.04%
PPL CORP	27,300	1,044,385	1,277,367	0.04%
INTERSIL CORP	40,600	1,021,930	1,277,276	0.04%
SMITHFIELD FOODS INC	41,400	1,217,991	1,274,706	0.04%
AVON PRODS INC	34,600	1,182,333	1,271,550	0.04%
HOSPITALITY PPTYS TR	30,600	1,424,720	1,269,594	0.04%
KRAFT FOODS INC	35,958	1,036,070	1,267,520	0.04%
AMERIPRISE FINL INC	19,900	999,820	1,265,043	0.04%
AMPHENOL CORP NEW	35,400	1,202,184	1,262,010	0.04%
TECO ENERGY INC	73,400	1,238,097	1,261,012	0.04%
OMNICOM GROUP	23,800	1,185,709	1,259,496	0.04%
TEEKAY CORPORATION	21,700	1,096,274	1,256,647	0.04%
FOOT LOCKER INC	57,600	1,339,954	1,255,680	0.04%
BAKER HUGHES INC	14,900	1,190,065	1,253,537	0.04%
AMERICAN FINL GROUP INC OHIO	36,400	1,322,942	1,243,060	0.04%
THORNBURG MTG INC	47,100	1,228,368	1,233,078	0.04%
BERKLEY W R CORP	37,700	1,291,225	1,226,758	0.04%
ZIONS BANCORP	15,800	1,381,170	1,215,178	0.04%
NATIONAL OILWELL VARCO INC	11,600	1,047,670	1,209,184	0.03%
MARATHON OIL CORP	20,000	897,375	1,199,200	0.03%
SUNOCO INC	15,000	1,036,648	1,195,200	0.03%
MANITOWOC INC	14,800	961,260	1,189,624	0.03%
MEDCO HEALTH SOLUTIONS INC	15,200	986,179	1,185,448	0.03%
LEGGETT + PLATT INC	53,700	1,304,587	1,184,085	0.03%
LAM RESH CORP	23,000	1,026,490	1,182,200	0.03%
ISTAR FINL INC	26,600	1,303,400	1,179,178	0.03%
UST INC	21,900	1,191,098	1,176,249	0.03%
ALEXANDER + BALDWIN INC	22,100	1,129,877	1,173,731	0.03%
XCEL ENERGY INC	57,100	1,322,721	1,168,837	0.03%
LINCARE HLDGS INC	29,300	1,156,951	1,167,605	0.03%
MARRIOTT INTL INC NEW	26,900	1,162,282	1,163,156	0.03%
SIRENZA MICRODEVICES INC	97,800	796,198	1,160,886	0.03%
HUBBELL INC	21,400	1,073,377	1,160,308	0.03%
VCA ANTECH INC	30,670	1,122,082	1,155,952	0.03%
STAPLES INC	48,500	1,170,528	1,150,905	0.03%
SYNOPSYS INC	43,500	1,174,414	1,149,705	0.03%
DISCOVERY HLDG CO	49,900	962,485	1,147,201	0.03%
ALBEMARLE CORP	29,400	1,265,670	1,132,782	0.03%
MARVELL TECHNOLOGY GROUP LTD	62,100	1,084,960	1,130,841	0.03%
HERBALIFE LTD	28,500	1,078,884	1,130,025	0.03%
PNM RES INC	40,500	1,130,167	1,125,495	0.03%
GENERALE CABLE CORP DEL NEW	14,800	779,004	1,121,100	0.03%
HARSCO CORP	21,400	930,686	1,112,800	0.03%
AMETEK INC NEW	27,800	987,860	1,103,104	0.03%
REYNOLDS AMERN INC	16,900	1,047,470	1,101,880	0.03%
J2 GLOBAL COMMUNICATIONS	31,560	831,554	1,101,444	0.03%
HOSPIRA INC	28,100	1,064,038	1,097,024	0.03%

**STATE OF MONTANA BOARD OF INVESTMENTS  
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<b><u>Security Name</u></b>	<b><u>Montana Domestic Equity Pool</u></b>			
	<b><u>Shares</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
SIMON PPTY GROUP INC NEW	11,700	1,147,207	1,088,568	0.03%
MICROS SYS INC	19,950	1,117,521	1,085,280	0.03%
DIODES INC	25,910	944,630	1,082,261	0.03%
VISHAY INTERTECHNOLOGY INC	68,400	1,115,399	1,082,088	0.03%
LIZ CLAIBORNE INC	29,000	1,337,444	1,081,700	0.03%
MARINER ENERGY INC	44,600	838,582	1,081,550	0.03%
CROCS INC	25,130	607,968	1,081,344	0.03%
HOLLY CORP	14,500	812,725	1,075,755	0.03%
AUTOLIV	18,900	1,091,342	1,074,843	0.03%
PEDIATRIX MED GROUP	19,450	1,067,494	1,072,668	0.03%
YRC WORLDWIDE INC	29,100	1,349,179	1,070,880	0.03%
TTM TECHNOLOGIES	81,470	870,004	1,059,110	0.03%
SEACOR HLDGS INC	11,300	1,097,948	1,054,968	0.03%
PUBLIC SVC ENTERPRISE GROUP	12,000	882,433	1,053,360	0.03%
INDYMAC BANCORP INC	36,000	1,186,282	1,050,120	0.03%
SILICON LABORATORIES INC	30,000	944,812	1,038,300	0.03%
FOCUS MEDIA HLDG LTD	20,500	854,198	1,035,250	0.03%
WELLCARE HEALTH PLANS INC	11,400	1,036,412	1,031,814	0.03%
DUN + BRADSTREET CORP DEL NEW	10,000	903,233	1,029,800	0.03%
AETNA INC	20,800	949,488	1,027,520	0.03%
ZALE CORP NEW	43,000	1,223,888	1,023,830	0.03%
SHERWIN WILLIAMS CO	15,400	926,750	1,023,638	0.03%
SILICON MOTION TECHNOLOGY CORP	41,089	937,475	1,020,240	0.03%
CYTYC CORP	23,600	719,800	1,017,396	0.03%
CENTRAL EUROPEAN DISTR CORP	29,300	808,746	1,014,366	0.03%
FIDELITY NATL FINL INC	42,600	1,028,311	1,009,620	0.03%
LENNOX INTL INC	29,475	1,045,355	1,008,929	0.03%
UAP HLDG CORP	33,340	815,660	1,004,868	0.03%
ON SEMICONDUCTOR CORP	93,385	924,200	1,001,087	0.03%
GENWORTH FINL INC	29,100	1,002,691	1,001,040	0.03%
NATIONAL CINEMEDIA INC	35,600	976,781	997,156	0.03%
NIKE INC	17,100	839,353	996,759	0.03%
WEIGHT WATCHERS INTL INC NEW	19,600	941,654	996,464	0.03%
AMERICAN ELEC PWR INC	21,900	1,042,142	986,376	0.03%
JOS A BANK CLOTHIERS INC	23,760	772,296	985,327	0.03%
WORLD ACCEPTANCE CORP	23,000	954,528	982,790	0.03%
ARROW ELECTRS INC	25,500	1,014,314	979,965	0.03%
V F CORP	10,700	846,370	979,906	0.03%
GUITAR CTR INC	16,300	737,194	974,903	0.03%
TJX COS INC NEW	35,400	936,876	973,500	0.03%
NAVIGATORS GROUP INC	18,000	910,201	970,200	0.03%
COMMSCOPE INC	16,550	670,712	965,693	0.03%
FIRST MARBLEHEAD CORP	24,800	1,145,512	958,272	0.03%
PENNEY J C INC	13,100	947,188	948,178	0.03%
KEYSTONE AUTOMOTIVE INDs INC	22,800	755,511	943,236	0.03%
USG CORP	19,200	1,087,546	941,568	0.03%
LMI AEROSPACE INC	38,730	740,283	940,752	0.03%
ARENA RES INC	16,075	733,090	934,118	0.03%
PARKER HANNIFIN CORP	9,500	822,225	930,145	0.03%
PORTFOLIO RECOVERY ASSOCs INC	15,420	697,637	925,508	0.03%
SCIELE PHARMA INC	39,170	900,619	922,845	0.03%
OBAGI MEDICAL PRODUCTS INC	52,025	677,300	921,883	0.03%
ILLINOIS TOOL WKS INC	17,000	849,165	921,230	0.03%

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<b><u>Security Name</u></b>	<b><u>Montana Domestic Equity Pool</u></b>			
	<b><u>Shares</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
KIMBERLY CLARK CORP	13,700	915,038	916,393	0.03%
INVENTIV HEALTH INC	25,000	923,211	915,250	0.03%
SA	11,300	771,495	915,074	0.03%
LKQ CORP	37,100	797,014	914,886	0.03%
CON WAY INC	18,200	960,645	914,368	0.03%
ANGIODYNAMICS INC	50,655	1,074,755	912,297	0.03%
ATLAS AIR WORLDWIDE HLDGS INC	15,455	792,619	910,918	0.03%
WEST PHARMACEUTICAL SVCS INC	19,230	871,520	906,695	0.03%
HEINZ H J CO	19,100	848,163	906,677	0.03%
ICONIX BRAND GROUP INC	40,495	841,200	899,799	0.03%
MOOG INC	20,375	803,676	898,741	0.03%
BECTON DICKINSON + CO	12,000	873,913	894,000	0.03%
WORLD FUEL SERVICES CORP.	21,145	934,414	889,359	0.03%
CROWN CASTLE INTL CORP	24,400	820,070	884,988	0.03%
KENDLE INTL INC	23,955	800,541	880,825	0.03%
RADIANT SYS INC	66,485	822,939	880,261	0.03%
NORFOLK SOUTHN CORP	16,700	866,689	877,919	0.03%
TELEFLEX INC	10,725	719,860	877,091	0.03%
NUCOR CORP	14,900	853,369	873,885	0.03%
NATIONAL SEMICONDUCTOR CORP	30,900	756,132	873,543	0.03%
INGERSOLL RAND COMPANY LIMITED	15,900	788,994	871,638	0.03%
ROGERS COMMUNICATIONS INC	20,500	617,708	871,045	0.03%
CLOROX CO	14,000	894,179	869,400	0.03%
ALLEGHENY ENERGY INC	16,800	756,705	869,232	0.03%
CONAGRA INC	32,200	817,860	864,892	0.02%
NEWELL RUBBERMAID INC	29,300	825,411	862,299	0.02%
JARDEN CORP	20,000	744,814	860,200	0.02%
EXPRESS SCRIPTS INC	17,200	675,747	860,172	0.02%
CENTRAL EUROPEAN MEDIA ENTERPR	8,800	756,303	858,704	0.02%
FLOW INTL CORP	67,955	772,059	856,233	0.02%
CALLAWAY GOLF CO	48,070	761,285	856,127	0.02%
RAYMOND JAMES FINANCIAL INC	27,600	830,066	852,840	0.02%
PNC FINL SVCS GROUP INC	11,900	854,403	851,802	0.02%
WASHINGTON FED INC	35,000	831,828	850,850	0.02%
GENERAL MTRS CORP	22,500	703,723	850,500	0.02%
WINDSTREAM CORP	57,520	834,896	848,995	0.02%
BENCHMARK ELECTRS INC	37,500	802,558	848,250	0.02%
BIG LOTS INC	28,800	788,123	847,296	0.02%
RENT A CTR INC NEW	32,300	928,886	847,229	0.02%
HARTFORD FINANCIAL SVCS GRP	8,600	795,817	847,186	0.02%
HEWITT ASSOCS INC	26,400	808,869	844,800	0.02%
GOODYEAR TIRE AND RUBBER	24,300	734,440	844,668	0.02%
CONTINENTAL AIRLS INC	24,900	1,137,681	843,363	0.02%
SUN MICROSYSTEMS INC	159,700	757,125	840,022	0.02%
BEAR STEARNS COS INC	6,000	873,488	840,000	0.02%
UTI WORLDWIDE INC	31,200	963,269	835,848	0.02%
OIL STATES INTL INC	20,150	634,013	833,001	0.02%
HURCO CO INC	16,515	688,445	825,420	0.02%
CIGNA CORP	15,800	747,764	825,076	0.02%
RED HAT INC	37,000	813,049	824,360	0.02%
AARON RENTS INC	28,000	760,587	817,600	0.02%
URS CORP NEW	16,650	726,461	808,358	0.02%
KING PHARMACEUTICALS INC	39,500	736,369	808,170	0.02%

**STATE OF MONTANA BOARD OF INVESTMENTS  
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<b><u>Security Name</u></b>	<b>Montana Domestic Equity Pool</b>			
	<b><u>Shares</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
BIO REFERENCE LABS INC	29,380	731,539	803,543	0.02%
APPLERA CORP APPLIED BIOSYS	26,300	823,081	803,202	0.02%
ROCKWELL COLLINS INC	11,300	673,133	798,232	0.02%
SCIENTIFIC GAMES CORP	22,800	740,551	796,860	0.02%
AMERICAN REPROGRAPHICSCO	25,700	796,526	791,303	0.02%
TEREX CORP NEW	9,700	681,560	788,610	0.02%
MONARCH CASINO + RESORT INC	29,225	765,551	784,691	0.02%
PILGRIMS PRIDE CORP	20,100	652,513	767,217	0.02%
SYBASE INC	32,050	765,565	765,675	0.02%
PRECISION CASTPARTS CORP	6,300	749,148	764,568	0.02%
AECOM TECHNOLOGY CORP	30,785	665,945	763,776	0.02%
HILTON HOTELS CORP	22,800	732,277	763,116	0.02%
CONTINENTAL RES INC OK	47,625	691,607	762,000	0.02%
CELAON GROUP INC	47,770	824,756	759,543	0.02%
HCC INS HLDGS INC	22,600	700,622	755,066	0.02%
EDWARDS LIFESCIENCES CORP	15,300	788,103	754,902	0.02%
HOST HOTELS + RESORTS INC	32,600	782,427	753,712	0.02%
AMERISOURCEBERGEN CORP	15,100	696,063	746,997	0.02%
RALCORP HLDGS INC NEW	13,975	817,202	746,964	0.02%
THESTREET COM INC	68,415	785,795	744,355	0.02%
TRIDENT MICROSYSTEMS INC	40,500	871,242	743,175	0.02%
WESCO INTL INC	12,200	793,775	737,490	0.02%
NORDSTROM INC	14,400	782,098	736,128	0.02%
C COR NET CORPORATION	52,305	752,266	735,408	0.02%
BARD C R INC	8,900	721,270	735,407	0.02%
BARRET BUSINESS SVCS INC	28,420	672,816	734,089	0.02%
ACCENTURE LTD BERMUDA	17,100	583,562	733,419	0.02%
UNITED FIRE CAS CO	20,725	721,357	733,251	0.02%
MEDALLION FINL CORP	61,260	708,963	724,706	0.02%
IAC INTERACTIVECORP	20,900	753,447	723,349	0.02%
SAFECO CORP	11,600	710,493	722,216	0.02%
CAPITAL ONE FINL CORP	9,200	753,384	721,648	0.02%
MENS WEARHOUSE INC	14,100	646,139	720,087	0.02%
PENSON WORLDWIDE INC	29,300	834,028	718,729	0.02%
DYNEGY INC DEL	75,900	638,843	716,496	0.02%
GALLAGHER ARTHUR J + CO	25,500	740,876	710,940	0.02%
GRANT PRIDECO INC	13,200	627,749	710,556	0.02%
IMERGENT INC	28,810	556,288	704,693	0.02%
CENTERPOINT ENERGY INC	40,400	736,001	702,960	0.02%
STRAYER ED INC	5,300	653,768	698,063	0.02%
FIRST ADVANTAGE CORP	30,210	733,277	695,132	0.02%
CENVEO INC	29,880	739,080	692,917	0.02%
NBTY INC	16,000	680,566	691,200	0.02%
INDEX CORP	17,925	614,841	690,830	0.02%
SUPERVALU INC	14,911	658,740	690,678	0.02%
MURPHY OIL CORP	11,600	621,928	689,504	0.02%
WEYERHAEUSER CO	8,700	653,827	686,691	0.02%
SOUTHWEST AIRLS CO	46,000	690,738	685,860	0.02%
MANOR CARE INC NEW	10,500	564,149	685,545	0.02%
COPART INC	22,300	651,091	682,157	0.02%
STERLING FINL CORP WASH	23,500	753,357	680,090	0.02%
SYNOVUS FINL CORP	22,100	636,904	678,470	0.02%
HUNTSMAN CORP	27,900	602,361	678,249	0.02%

**STATE OF MONTANA BOARD OF INVESTMENTS  
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<u>Security Name</u>	<u>Montana Domestic Equity Pool</u>			
	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
FMC CORP	7,575	573,366	677,129	0.02%
TORCHMARK INC	10,100	642,289	676,700	0.02%
FAIRCHILD SEMICONDUCTOR INTL	35,000	653,872	676,200	0.02%
PETROQUEST ENERGY INC	46,125	664,552	670,658	0.02%
EMBRAER EMPRESA BRASILEIRA DE	13,900	641,068	670,119	0.02%
NATIONAL INTST CORP	25,675	655,790	669,604	0.02%
CONSOL ENERGY INC	14,500	594,100	668,595	0.02%
MARVEL ENTMT INC	26,200	794,458	667,576	0.02%
RADIOSHACK CORP	20,100	602,605	666,114	0.02%
EAST WEST BANCORP INC	17,100	690,352	664,848	0.02%
FORTRESS INVESTMENT	27,800	761,590	662,196	0.02%
VALSPAR CORP	23,225	646,608	659,822	0.02%
NORDSON CORP	13,150	641,163	659,604	0.02%
RADIATION THERAPY SVCS INC	25,040	759,352	659,554	0.02%
VORNADO RLTY TR	6,000	706,379	659,040	0.02%
OWENS + MINOR INC NEW	18,700	636,603	653,378	0.02%
GENESEE + WYO INC	21,870	573,794	652,601	0.02%
VINEYARD NATL BANCORP	28,408	644,092	652,526	0.02%
KENNAMETAL INC	7,950	598,665	652,139	0.02%
FIRST HORIZON NATL CORP	16,700	673,341	651,300	0.02%
SMUCKER J M CO	10,200	530,589	649,332	0.02%
OFFICE DEPOT INC	21,400	792,666	648,420	0.02%
NETWORK APPLIANCE INC	22,100	718,618	645,320	0.02%
RIO TINTO PLC	2,100	502,180	642,852	0.02%
SANDISK CORP	13,100	582,386	641,114	0.02%
METROPCS COMMUNICATIONS INC	19,300	573,000	637,672	0.02%
ST MARY LD + EXPL CO	17,375	629,630	636,273	0.02%
VECTREN CORP	23,625	667,417	636,221	0.02%
INTUIT	21,100	613,315	634,688	0.02%
HARMAN INTL IND S INC NEW	5,400	605,012	630,720	0.02%
MARKEL CORP	1,300	640,580	629,928	0.02%
COLUMBIA SPORTSWEAR CO	9,125	578,308	626,705	0.02%
INTERNATIONAL PAPER CO	15,900	558,968	620,895	0.02%
FIRST DATA CORP	19,000	544,659	620,730	0.02%
SCOTTS MIRACLE GRO CO	14,450	645,220	620,483	0.02%
LHC GROUP INC	23,400	671,226	613,080	0.02%
MCGRATH RENTCORP	18,075	546,113	608,947	0.02%
CYMER INC	15,100	630,996	607,020	0.02%
ARRIS GROUP INC	34,475	486,765	606,415	0.02%
MBIA INC	9,700	667,113	603,534	0.02%
PROSPERITY BANCSHARES INC	18,350	645,541	601,146	0.02%
HERTZ GLOBAL HLDGS INC	22,600	527,006	600,482	0.02%
VALERO ENERGY CORP	8,100	533,748	598,266	0.02%
KFORCE INC	37,329	497,545	596,517	0.02%
FIRST CASH FINANCIAL SERVICES	25,400	577,928	595,376	0.02%
BOYD GAMING CORP	12,100	591,805	595,199	0.02%
COMMUNITY HEALTH SYS INC NEW	14,700	563,385	594,615	0.02%
SEARS HLDGS CORP	3,500	608,387	593,250	0.02%
CARNIVAL CORP	12,000	594,223	585,240	0.02%
MATRIX HEALTHCARE INC	19,210	563,681	581,679	0.02%
FCSTONE GROUP INC	10,146	348,658	581,467	0.02%
BROWN + BROWN INC	23,100	596,310	580,734	0.02%
POLO RALPH LAUREN CORP	5,900	546,336	578,849	0.02%

**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

<b><u>Security Name</u></b>	<b><u>Montana Domestic Equity Pool</u></b>			
	<b><u>Shares</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
STERICYCLE INC	13,000	516,685	577,980	0.02%
GEHL CO	19,025	535,069	577,599	0.02%
COGNOS INC	14,400	568,818	571,248	0.02%
CORPORATE EXECUTIVE BRD CO	8,800	691,279	571,208	0.02%
ULTRA CLEAN HLDGS INC	40,540	641,971	566,749	0.02%
ARCHER DANIELS MIDLAND CO	17,100	615,389	565,839	0.02%
ANDERSONS INC	12,450	524,302	564,359	0.02%
FURNITURE BRANDS INTL INC	39,700	654,060	563,740	0.02%
INTERWOVEN INC	40,140	644,488	563,566	0.02%
TYSON FOODS INC (DEL)	24,400	479,527	562,176	0.02%
EXPEDITORS INTL WA INC	13,600	594,773	561,680	0.02%
MGM MIRAGEINC	6,800	540,823	560,864	0.02%
TXU CORP	8,300	528,388	558,590	0.02%
CITIZENS COMMUNICATIONS CO	36,200	516,463	552,774	0.02%
RUDOLPH TECHNOLOGIES INC	33,140	564,065	550,455	0.02%
CEPHALON INC	6,800	482,862	546,652	0.02%
THOMAS WEISEL PARTNERS GROUP	32,800	622,107	546,120	0.02%
PINNACLE WEST CAP CORP	13,700	655,115	545,945	0.02%
ADVANCED MICRO DEVICES INC	38,100	646,719	544,830	0.02%
HEALTHSPRING INC	28,550	598,926	544,163	0.02%
PRAXAIR INC	7,500	480,939	539,925	0.02%
ON ASSIGNMENT INC	50,250	620,012	538,680	0.02%
MCCORMICK + CO INC	14,100	516,264	538,338	0.02%
STEELCASE INC	29,000	581,740	536,500	0.02%
ROSS STORES INC	17,400	540,546	535,920	0.02%
PROASSURANCE CORP	9,565	494,866	532,484	0.02%
COMPUTER SCIENCES CORP	9,000	504,759	532,350	0.02%
MYLAN LABS INC	29,100	578,828	529,329	0.02%
CSX CORP	11,700	429,107	527,436	0.02%
FORD MTR CO DEL	55,900	446,692	526,578	0.02%
BIOMET INC	11,500	508,080	525,780	0.02%
WRIGLEY WM JR CO	9,500	541,958	525,445	0.02%
LUFKIN INDS INC	8,120	445,381	524,146	0.02%
BROOKS AUTOMATION INC NEW	28,850	492,924	523,628	0.02%
HILB ROGAL + HOBBS CO	12,150	556,759	520,749	0.02%
GULFPORT ENERGY CORP	25,750	364,473	514,485	0.01%
APARTMENT INV'T + MGMT CO	10,200	563,694	514,284	0.01%
CENTRAL GARDEN + PET CO	41,900	585,012	513,694	0.01%
ROYAL BANCSHARES PA INC	26,000	631,420	512,460	0.01%
SPECTRA ENERGY CORP	19,700	511,995	511,412	0.01%
PRINCIPAL FINANCIAL GROUP	8,700	486,561	507,123	0.01%
MONRO MUFFLER BRAKE INC	13,475	486,963	504,639	0.01%
COMPASS BANCSHARES INC	7,300	447,192	503,554	0.01%
INTRNTNL FLAVRS + FRAGRNCs INC	9,600	437,181	500,544	0.01%
FINANCIAL FED CORP	16,725	450,366	498,740	0.01%
BUCYRUS INTL INC NEW	7,000	496,043	495,460	0.01%
AVAYA INC	29,400	409,908	495,096	0.01%
VIGNETTE CORP	25,600	474,837	490,496	0.01%
MICROSEMI CORP	20,400	422,981	488,580	0.01%
BLOCK H + R INC	20,800	458,388	486,096	0.01%
CANADIAN NATL RY CO	9,500	450,118	483,835	0.01%
AIRGAS INC	10,100	433,410	483,790	0.01%
CIENA CORP	13,375	376,349	483,239	0.01%

**STATE OF MONTANA BOARD OF INVESTMENTS  
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<u>Security Name</u>	<u>Montana Domestic Equity Pool</u>			
	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
REGIONS FINL CORP NEW	14,541	507,110	481,307	0.01%
ARCHSTONE SMITH TR	8,100	436,316	478,791	0.01%
TRIARC COS INC	30,450	548,489	478,065	0.01%
GLOBAL PMTS INC	12,000	477,666	475,800	0.01%
REGIS CORP MINNESOTA	12,425	507,642	475,256	0.01%
PROGRESSIVE CORP OHIO	19,700	486,516	471,421	0.01%
EMBARQ CORP	7,400	457,827	468,938	0.01%
PENSKE AUTOMOTIVE GROUP INC	21,925	471,472	466,783	0.01%
ARCH CAP GROUP LTD	6,400	426,026	464,256	0.01%
CYTEC IND INC	7,250	424,798	462,333	0.01%
LINCOLN NATL CORP IN	6,500	404,000	461,175	0.01%
PHYSICIANS FORMULA HLDGS INC	29,305	587,801	460,821	0.01%
COGNIZANT TECHNOLOGY SOLUTIONS	6,100	491,366	458,049	0.01%
SONIC SOLUTIONS	35,980	517,241	453,708	0.01%
SCHWAB CHARLES CORP	22,100	431,934	453,492	0.01%
WESTERN UN CO	21,600	459,174	449,928	0.01%
ATMI INC	14,950	494,360	448,500	0.01%
RELIANT ENERGY INC	16,600	372,424	447,370	0.01%
MCAFEE INC	12,500	376,376	440,000	0.01%
BB+T CORP	10,700	444,895	435,276	0.01%
FUEL SYS SOLUTIONS INC	26,100	519,227	432,738	0.01%
EOG RESOURCES INC	5,800	401,526	423,748	0.01%
WASTE CONNECTIONS INC	13,938	412,050	421,470	0.01%
FMC TECHNOLOGIES INC	5,300	365,811	419,866	0.01%
BRUNSWICK CORP	12,775	422,801	416,848	0.01%
SOVEREIGN BANCORP INC	19,700	473,110	416,458	0.01%
INTERPUBLIC GROUP COS INC	36,000	435,437	410,400	0.01%
CORN PRODUCTS INTL INC	9,025	302,355	410,186	0.01%
BARR PHARMACEUTICALS INC	8,100	404,862	406,863	0.01%
ARLINGTON TANKERS LTD	14,150	328,142	405,822	0.01%
AMR CORP DEL	15,400	593,362	405,790	0.01%
WASHINGTON MUT INC	9,500	426,164	405,080	0.01%
PEABODY ENERGY CORP	8,300	387,424	401,554	0.01%
MB FINL INC	11,500	417,811	399,510	0.01%
MARSH + MCLENNAN COS INC	12,900	384,278	398,352	0.01%
SCRIPPS E W CO OH	8,600	404,429	392,934	0.01%
SUPERIOR ENERGY SVCS INC	9,800	287,532	391,216	0.01%
BARRICK GOLD CORP	13,400	382,632	389,538	0.01%
DOMINION RES INC VA NEW	4,500	367,829	388,395	0.01%
ROFIN SINAR TECHNOLOGIES INC	5,600	365,065	386,400	0.01%
FORWARD AIR CORP	11,325	363,667	386,069	0.01%
KIMCO RLTY CORP	10,100	441,692	384,507	0.01%
HEALTHCARE SVCS GROUP INC	12,950	375,985	382,025	0.01%
TEAM INC	8,475	304,728	381,121	0.01%
DUKE ENERGY HLDG CORP	20,600	369,253	376,980	0.01%
TRW AUTOMOTIVE HLDGS CORP	10,200	428,002	375,666	0.01%
WESTSTAR ENERGY INC	15,450	418,277	375,126	0.01%
CLEAR CHANNEL COMMUNICATIONS	9,900	363,758	374,418	0.01%
STAGE STORES INC	17,825	389,713	373,612	0.01%
NCR CORP NEW	7,100	332,973	373,034	0.01%
ASML HOLDING N V	13,500	323,797	370,575	0.01%
ELECTRONIC ARTS INC	7,800	364,274	369,096	0.01%
INVESTMENT TECHNOLOGY GROUP	8,500	382,925	368,305	0.01%

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<b><u>Security Name</u></b>	<b>Montana Domestic Equity Pool</b>			
	<b><u>Shares</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
CMS ENERGY CORP	21,400	385,926	368,080	0.01%
ALCON INC	2,700	326,247	364,257	0.01%
CBS CORP CLASS B	10,800	337,728	359,856	0.01%
DOLLAR GEN CORP	16,400	354,339	359,488	0.01%
TRIBUNE CO NEW	12,203	380,671	358,768	0.01%
AFC ENTERPRISES INC	20,750	366,848	358,768	0.01%
LENNAR CORP	9,800	443,089	358,288	0.01%
CRA INTL INC	7,420	386,453	357,644	0.01%
DONNELLEY R R + SONS CO	8,200	323,509	356,782	0.01%
WATERS CORP	6,000	351,028	356,160	0.01%
SNAP ON INC	7,000	319,534	353,570	0.01%
FISERV INC	6,200	332,943	352,160	0.01%
AVERY DENNISON CORP	5,200	314,850	345,696	0.01%
UNUM GROUP	13,200	347,570	344,652	0.01%
INVITROGEN CORP	4,600	308,154	339,250	0.01%
TIMKEN CO	9,300	322,589	335,823	0.01%
PALL CORP	7,300	318,236	335,727	0.01%
PETSMART INC	10,300	329,950	334,235	0.01%
BEARINGPOINT INC	45,600	345,513	333,336	0.01%
MANPOWER INC WIS	3,600	282,780	332,064	0.01%
MASCO CORP	11,500	332,545	327,405	0.01%
SOUTHERN CO	9,500	344,976	325,755	0.01%
MCKESSON CORP	5,400	285,414	322,056	0.01%
REPUBLIC SVCS INC	10,500	294,937	321,720	0.01%
MCDERMOTT INTL INC	3,800	246,703	315,856	0.01%
TYLER TECHNOLOGIES INC	25,175	328,611	312,422	0.01%
WENDYS INTL INC	8,500	287,641	312,375	0.01%
FAMILY DLR STORES INC	9,000	257,548	308,880	0.01%
LIBERTY MEDIA CORP NEW	2,600	243,515	305,968	0.01%
NISOURCE INC	14,600	340,413	302,366	0.01%
ALCATEL LUCENT ADS	21,323	284,480	298,523	0.01%
INTERACTIVE BROKERS GROUP INC	11,000	309,977	298,430	0.01%
BOSTON SCIENTIFIC CORP	19,300	354,441	296,062	0.01%
XILINX INC	11,000	283,192	294,470	0.01%
SIGMA ALDRICH	6,900	263,900	294,423	0.01%
LAUDER ESTEE COS INC	6,400	281,854	291,264	0.01%
KEYSPAN CORP	6,900	282,958	289,662	0.01%
TECHNE CORP	5,000	284,000	286,050	0.01%
BRIGHTPOINT INC	20,700	232,716	285,453	0.01%
DTE ENERGY CO	5,900	295,232	284,498	0.01%
TEMPLE INLAND INC	4,600	281,855	283,038	0.01%
MARSHALL + ILSLEY CORP	5,900	279,424	281,017	0.01%
AMEREN CORP	5,700	298,454	279,357	0.01%
SLM CORP	4,800	257,907	276,384	0.01%
CHUBB CORP	5,000	257,477	270,700	0.01%
MACYS INC	6,800	264,117	270,504	0.01%
ATWOOD OCEANICS INC	3,925	268,522	269,334	0.01%
YUM BRANDS INC	8,200	232,365	268,304	0.01%
BAUSCH + LOMB INC	3,800	246,837	263,872	0.01%
NAVTEQ CORP	6,200	266,225	262,508	0.01%
CONSOLIDATED EDISON INC	5,800	292,016	261,696	0.01%
SEAGATE TECHNOLOGY	11,900	270,043	259,063	0.01%
EASTMAN KODAK CO	9,300	222,198	258,819	0.01%

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<u>Security Name</u>	<u>Montana Domestic Equity Pool</u>			
	<u>Shares</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
CNA FINL CORP	5,400	225,180	257,526	0.01%
CABLEVISION SYS CORP	7,100	230,475	256,949	0.01%
HARRAHS ENTMT INC	3,000	249,441	255,780	0.01%
QUESTAR CORP	4,800	231,673	253,680	0.01%
INTERCONTINENTALEXCHANGE INC	1,700	193,530	251,345	0.01%
MEDICAL ACTION IND INC	13,875	305,643	250,583	0.01%
EQUIFAX INC	5,600	246,943	248,752	0.01%
ANADARKO PETE CORP	4,600	225,929	239,154	0.01%
HERCULES INC	12,100	215,435	237,765	0.01%
D R HORTON INC	11,900	295,122	237,167	0.01%
NRG ENERGY INC	5,700	208,408	236,949	0.01%
M + T BK CORP	2,200	251,934	235,180	0.01%
LAZARD LTD	5,100	234,184	229,653	0.01%
OFFICEMAX INC DEL	5,800	247,587	227,940	0.01%
NICOR INC	5,300	257,737	227,476	0.01%
XL CAPITAL LTD	2,600	193,651	219,154	0.01%
BALL CORP	4,100	222,354	217,997	0.01%
BLACKBAUD INC	9,850	226,070	217,488	0.01%
QWEST COMMUNICATIONS INTL INC	21,800	182,270	211,460	0.01%
INTEGRYS ENERGY GROUP INC	4,157	222,803	210,897	0.01%
PUBLIC STORAGE	2,700	242,338	207,414	0.01%
ABERCROMBIE + FITCH CO	2,800	222,391	204,344	0.01%
DEAN FOODS CO NEW	6,300	220,984	200,781	0.01%
WILLIS GROUP HOLDINGS LTD	4,500	176,939	198,270	0.01%
SEPRACOR INC	4,600	224,369	188,692	0.01%
AVX CORP NEW	10,800	183,892	180,792	0.01%
NORTHROP GRUMMAN CORP	2,300	155,567	179,101	0.01%
GENUINE PARTS CO	3,600	162,512	178,560	0.01%
FLUOR CORP NEW	1,600	143,550	178,192	0.01%
NOBLE CORPORATION	1,800	170,080	175,536	0.01%
IMS HEALTH INC	5,400	153,689	173,502	0.01%
COVIDIEN LTD	4,000	181,211	172,400	0.00%
AXIS CAPITAL HOLDINGS LTD	4,200	131,295	170,730	0.00%
COCA COLA ENTERPRISES INC	6,900	153,845	165,600	0.00%
PEPSI BOTTLING GROUP INC	4,900	162,827	165,032	0.00%
BURLINGTON NORTHN SANTA FE	1,900	147,858	161,766	0.00%
AGCO CORP	3,700	149,632	160,617	0.00%
NATIONAL CITY CORP	4,800	175,216	159,936	0.00%
HESS CORP	2,700	147,671	159,192	0.00%
DILLARDS INC	4,400	144,038	158,092	0.00%
C H ROBINSON WORLDWIDE INC	3,000	160,046	157,560	0.00%
BOWATER INC	6,200	151,878	154,690	0.00%
ROBERT HALF INTL INC	4,100	158,745	149,650	0.00%
ASSURANT INC	2,500	142,695	147,300	0.00%
JOY GLOBAL INC	2,500	118,171	145,825	0.00%
AVALONBAY CMNTYS INC	1,200	162,553	142,656	0.00%
DEVELOPERS DIVERSIFIED RLTY	2,700	170,477	142,317	0.00%
GENZYME CORP	2,200	138,648	141,680	0.00%
DOW JONES + CO INC	2,400	134,681	137,880	0.00%
GENENTECH INC	1,800	143,244	136,188	0.00%
FIDELITY NATL INFORMATION SVC	2,400	127,185	130,272	0.00%
COMPUWARE CORP	10,900	127,905	129,274	0.00%
FOSTER WHEELER LTD	1,200	120,456	128,388	0.00%

**STATE OF MONTANA BOARD OF INVESTMENTS  
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<b><u>Security Name</u></b>	<b>Montana Domestic Equity Pool</b>			
	<b><u>Shares</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
AFFILIATED COMPUTER SVCS INC	2,100	110,043	119,112	0.00%
KLA TENCOR CORP	2,100	114,900	115,395	0.00%
ASHLAND INC NEW	1,800	119,402	115,110	0.00%
KANSAS CITY SOUTHERN	2,900	104,587	108,866	0.00%
APOLLO GROUP INC	1,800	84,106	105,174	0.00%
WATSON PHARMACEUTICALS INC	3,200	101,903	104,096	0.00%
JONES APPAREL GROUP INC	3,600	113,904	101,700	0.00%
PERKINELMER INC	3,300	88,168	85,998	0.00%
DARDEN RESTAURANTS INC	1,900	80,039	83,581	0.00%
WASTE MGMT INC DEL	2,000	73,243	78,100	0.00%
SEALED AIR CORP NEW	2,300	72,274	71,346	0.00%
SMITH INTL INC	1,200	57,926	70,368	0.00%
ITT CORP NEW	1,000	51,933	68,280	0.00%
PROGRESS ENERGY INC	1,400	72,127	63,826	0.00%
LIMITED BRANDS INC	2,300	62,254	63,135	0.00%
PITNEY BOWES INC	1,300	58,044	60,866	0.00%
ACE LTD	900	46,348	56,268	0.00%
PARTNERRE LTD	700	53,990	54,250	0.00%
QUEST DIAGNOSTICS INC	900	49,219	46,485	0.00%
WHIRLPOOL CORP	400	35,330	44,480	0.00%
WHOLE FOODS MKT INC	1,100	55,755	42,130	0.00%
GOODRICH CORP	700	39,607	41,692	0.00%
ALLTEL CORP	600	30,539	40,530	0.00%
QLOGIC CORP	2,400	41,659	39,960	0.00%
ADC TELECOMMUNICATIONS INC	2,000	36,811	36,660	0.00%
CA INC	1,400	36,932	36,162	0.00%
EASTMAN CHEM CO	500	29,568	32,165	0.00%
ENSCO INTL INC	500	23,949	30,505	0.00%
GAP INC	1,500	29,245	28,650	0.00%
KEYCORP NEW	800	28,872	27,464	0.00%
BEMIS CO INC	700	22,793	23,226	0.00%
EL PASO CORP	1,200	17,509	20,676	0.00%
STARENT NETWORKS CORP	1,200	14,400	17,640	0.00%
HARTMARX CORP	1,900	14,505	15,143	0.00%
CITADEL BROADCASTING CORP	1,775	9,860	11,450	0.00%
COOPER INDUSTRIES LTD	100	4,352	5,709	0.00%
<b>TOTAL SECURITIES</b>	<b><u>37,717,956</u></b>	<b><u>1,414,232,293</u></b>	<b><u>1,667,254,774</u></b>	<b><u>48.08%</u></b>
BGI S&P 500 PASSIVE EQUITY INDEX FUND	3,014,772	898,399,726	1,282,790,640	36.99%
WESTERN ASSET LARGE CAP ENHANCED INDEX	13,632,891	206,937,301	230,041,410	6.63%
GOLDMAN SACHS LARGE CAP ENHANCED INDEX	9,330,103	125,956,387	147,508,924	4.25%
DIMENSIONAL FUND SMALL CAP ENHANCED INDEX	61,752	41,566,479	77,259,926	2.23%
BGI S&P 400 MIDCAP PASSIVE EQUITY INDEX FUND	1,021,487	17,955,907	23,221,246	0.67%
<b>TOTAL COMMINGLED ACCOUNTS</b>	<b><u>27,061,005</u></b>	<b><u>1,290,815,799</u></b>	<b><u>1,760,822,146</u></b>	<b><u>50.78%</u></b>
STATE STREET SPIFF	74,509	14,386,125	15,076,746	0.43%
CASH EQUIVALENTS	23,743,435	24,467,510	24,426,093	0.70%
<b>TOTAL MDEP</b>	<b><u>88,596,904</u></b>	<b><u>2,743,901,727</u></b>	<b><u>3,467,579,758</u></b>	<b><u>100.00%</u></b>

**STATE OF MONTANA BOARD OF INVESTMENTS  
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<b>Currency</b>	<b>Montana International Equity Pool</b>				
	<b>Issues</b>	<b>Shares</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>%</b>
AUSTRALIAN DOLLAR	77 Issues	5,483,700	38,279,708	50,915,926	3.16%
AUSTRIAN SCHILLING	15 Issues	243,333	10,412,698	13,930,219	0.86%
BELGIUM FRANC	12 Issues	136,690	7,408,223	8,488,887	0.53%
BRAZILIAN REAL	4 Issues	44,600	1,764,304	1,981,024	0.12%
CANADIAN DOLLAR	49 Issues	964,058	29,320,055	35,890,007	2.23%
DANISH KRONE	18 Issues	156,779	9,316,434	13,037,001	0.81%
FINNISH MARKKA	22 Issues	453,068	11,822,681	14,315,298	0.89%
FRENCH FRANC	100 Issues	1,642,937	85,086,140	100,730,411	6.25%
GERMAN MARK	85 Issues	970,659	67,373,715	84,083,860	5.22%
GREEK DRACHMA	8 Issues	175,862	6,420,397	7,999,225	0.50%
HONG KONG DOLLAR	55 Issues	13,228,963	25,240,441	34,255,197	2.12%
HUNGARIAN FORINT	2 Issues	22,172	1,375,386	2,003,487	0.12%
INDONESIAN RUPIAH	4 Issues	3,688,000	741,043	982,562	0.06%
IRISH PUNT	6 Issues	89,672	1,987,111	1,975,479	0.12%
ISRAELI SHEKEL	4 Issues	327,365	1,817,817	1,871,608	0.12%
ITALIAN LIRA	46 Issues	2,946,823	31,499,283	37,031,582	2.30%
JAPANESE YEN	342 Issues	11,022,588	165,809,915	186,819,142	11.59%
SOUTH KOREAN WON	56 Issues	429,701	21,988,142	29,199,894	1.81%
MALAYSIAN RINGGIT	14 Issues	2,700,060	3,921,885	4,493,461	0.28%
MEXICAN PESO	8 Issues	1,959,000	6,373,053	6,854,022	0.43%
NETHERLANDS ANTILLES GUILDER	36 Issues	1,323,197	39,963,600	45,873,044	2.85%
NEW ZEALAND DOLLAR	2 Issues	149,187	371,062	438,522	0.03%
NORWEGIAN KRONE	17 Issues	463,028	6,565,909	10,320,168	0.64%
PHILIPPINES PESO	3 Issues	1,759,840	639,398	1,226,819	0.08%
POLISH ZLOTY	1 Issues	8,301	567,298	768,410	0.05%
PORTUGUESE ESCUDO	4 Issues	372,907	2,213,129	2,884,776	0.18%
SINGAPORE DOLLAR	26 Issues	2,647,029	11,107,459	14,983,915	0.93%
SOUTH AFRICAN RAND	2 Issues	289,782	1,596,750	1,850,274	0.11%
SPAINISH PESETA	23 Issues	846,021	18,128,964	20,443,255	1.27%
SWEDISH KRONA	32 Issues	1,511,395	21,940,872	23,603,481	1.46%
SWISS FRANC	48 Issues	745,067	54,609,564	61,902,461	3.84%
NEW TAIWAN DOLLAR	18 Issues	3,129,109	5,567,126	7,360,087	0.46%
THAI BAHT	12 Issues	5,790,500	4,546,002	5,404,292	0.34%
TURKISH LIRA	10 Issues	520,181	2,506,283	3,568,453	0.22%
U K BRITISH POUND	151 Issues	12,363,165	125,242,587	141,522,336	8.78%
U S DOLLAR (ADR)	33 Issues	1,665,541	35,061,310	42,010,883	2.61%
U S DOLLAR (Commingled Accounts)	11 Issues	23,715,506	368,158,834	529,923,232	32.87%
<b>EQUITY TOTAL</b>	<b>1,356 Issues</b>	<b><u>103,985,786</u></b>	<b><u>1,226,744,580</u></b>	<b><u>1,550,942,701</u></b>	<b><u>96.21%</u></b>
STATE STREET EAFE ISPIFF	1 Issue	1,614,771	41,753,738	50,883,047	3.16%
STATE STREET STIF	8 Issues	10,245,619	10,245,619	10,245,619	0.64%
<b>MTIP GRAND TOTAL</b>	<b>1,365 Issues</b>	<b><u>115,846,176</u></b>	<b><u>1,278,743,938</u></b>	<b><u>1,612,071,367</u></b>	<b><u>100.00%</u></b>

**STATE OF MONTANA BOARD OF INVESTMENTS**  
**CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

<u>Fund Name</u>	<u>Montana Private Equity Pool</u>			
	<u>Shares</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>%</u>
ALTA SUB DEBT PARTNERS III	56,879	56,879	58,543	0.01%
AUSTIN VENTURES III	235,584	235,584	194,289	0.03%
SPROUT CAPITAL VI	244,756	244,756	7,590	0.00%
SUMMIT VENTURE II	128,881	128,881	2,758	0.00%
WCAS CAPITAL PARTNERS II	261,141	261,141	100,869	0.02%
<b>SEPARATE PARTNERSHIPS</b>	<b>927,242</b>	<b>927,242</b>	<b>364,049</b>	<b>0.06%</b>
VENTURE PARTNERSHIP ACQUISITION II	190,080	190,080	21,774	0.00%
<b>VENTURE PARTNER ACQUISITION II</b>	<b>190,080</b>	<b>190,080</b>	<b>21,774</b>	<b>0.00%</b>
BRINSON VENTURE CAP III SECONDARY	1	1	108,619	0.02%
BRINSON VENTURE CAP III	1	1	108,619	0.02%
BRINSON VENTURE PART III SECONDARY	1,623,410	1,623,410	650,239	0.10%
BRINSON VENTURE PART III	1,375,729	1,375,729	649,831	0.10%
<b>INSTITUTIONAL VENTURE CAP FUND III</b>	<b>2,999,141</b>	<b>2,999,141</b>	<b>1,517,308</b>	<b>0.24%</b>
BRINSON VENTURE CAPITAL FUND IV	6,977,483	6,977,483	9,658,399	1.55%
<b>BRINSON VENTURE CAPITAL FUND IV</b>	<b>6,977,483</b>	<b>6,977,483</b>	<b>9,658,399</b>	<b>1.55%</b>
BRINSON NON US PARTNERSHIP FUND	5,622,273	5,622,273	9,827,036	1.58%
BRINSON TRUST	66,136,880	66,136,880	78,872,396	12.68%
<b>BRINSON PARTNERSHIP TRUST</b>	<b>71,759,153</b>	<b>71,759,153</b>	<b>88,699,432</b>	<b>14.26%</b>
ADAMS STREET NON US FUND	8,277,775	8,277,775	10,283,389	1.65%
ADAMS STREET PARTNER FUND	45,734,366	45,734,366	52,525,279	8.45%
<b>ADAMS STREET PARTNERS TRUST</b>	<b>54,012,141</b>	<b>54,012,141</b>	<b>62,808,668</b>	<b>10.10%</b>
ADAMS STREET FUND V	35,513,712	35,513,712	35,307,981	5.68%
<b>ADAMS STREET FUND V</b>	<b>35,513,712</b>	<b>35,513,712</b>	<b>35,307,981</b>	<b>5.68%</b>
ADAMS STREET GLOBAL OPPORTUNITES	12,491,221	12,491,221	12,646,912	2.03%
<b>ADAMS STREET GLOBAL OPPORTUNITES</b>	<b>12,491,221</b>	<b>12,491,221</b>	<b>12,646,912</b>	<b>2.03%</b>
<b>ADAMS STREET Total</b>	<b>184,870,173</b>	<b>184,870,173</b>	<b>211,024,523</b>	<b>33.93%</b>
AFFINITY ASIA PACIFIC FUND III	14,276	14,276	13,980	0.00%
<b>AFFINITY Total</b>	<b>14,276</b>	<b>14,276</b>	<b>13,980</b>	<b>0.00%</b>
ARCLIGHT ENERGY PARTNERS FUND III	10,774,591	10,774,591	10,872,316	1.75%
ARCLIGHT ENERGY PARTNERS FUND II	15,242,500	15,242,500	15,533,068	2.50%
<b>ARCLIGHT Total</b>	<b>26,017,091</b>	<b>26,017,091</b>	<b>26,405,384</b>	<b>4.25%</b>
BUERK DALE VICTOR II L.P.	1,000,000	1,000,000	763,451	0.12%
<b>BUERK DALE VICTOR Total</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>763,451</b>	<b>0.12%</b>
CARLYLE PARTNERS IV, L.P.	19,939,133	19,939,133	23,543,849	3.79%
CARLYLE VENTURE PARTNERS III	4,432,043	4,432,043	4,539,786	0.73%
CP IV KNIGHT TE HOLDINGS	3,746,489	3,746,489	3,746,489	0.60%
<b>CARLYLE Total</b>	<b>28,117,665</b>	<b>28,117,665</b>	<b>31,830,124</b>	<b>5.12%</b>
CCMP II	7,022,176	7,022,176	6,891,683	1.11%
<b>CCMP Total</b>	<b>7,022,176</b>	<b>7,022,176</b>	<b>6,891,683</b>	<b>1.11%</b>
FIRST RESERVE XI	2,338,715	2,338,715	2,394,463	0.39%
<b>FIRST RESERVE Total</b>	<b>2,338,715</b>	<b>2,338,715</b>	<b>2,394,463</b>	<b>0.39%</b>
HFCP VI	3,314,985	3,314,985	3,314,985	0.53%
HELLMAN + FRIEDMAN INV VI	1,029,855	1,029,855	1,029,855	0.17%
<b>HELLMAN &amp; FRIEDMAN Total</b>	<b>4,344,840</b>	<b>4,344,840</b>	<b>4,344,840</b>	<b>0.70%</b>
HIGHWAY 12 VENTURE II	1,058,305	1,058,305	1,014,597	0.16%
<b>HIGHWAY 12 VENTURES Total</b>	<b>1,058,305</b>	<b>1,058,305</b>	<b>1,014,597</b>	<b>0.16%</b>
INDUSTRY VENTURES FUND IV	2,177,574	2,177,574	2,239,350	0.36%
<b>INDUSTRY VENTURES Total</b>	<b>2,177,574</b>	<b>2,177,574</b>	<b>2,239,350</b>	<b>0.36%</b>
HSH CAYMAN PARTNERS	3,101,072	3,101,073	3,115,604	0.50%
JCF II LP	1,157,779	1,157,779	1,208,575	0.19%
JCF II SIDECAR	1,352,481	1,352,481	1,359,943	0.22%
JCF II AIV A 1	1	1	3,857	0.00%
<b>J.C. FLOWERS Total</b>	<b>5,611,333</b>	<b>5,611,334</b>	<b>5,687,979</b>	<b>0.91%</b>
JLL PARTNERS FUND V LP	11,420,491	11,420,491	12,722,347	2.05%
<b>JLL PARTNERS Total</b>	<b>11,420,491</b>	<b>11,420,491</b>	<b>12,722,347</b>	<b>2.05%</b>
KKR 1986-1987	2,021,493	2,021,493	1,119,200	0.18%
KKR 1993	1,285,300	1,285,300	427,362	0.07%
KKR 1996	27,873,868	27,873,868	27,035,784	4.35%

**STATE OF MONTANA BOARD OF INVESTMENTS  
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<u>Fund Name</u>	<u>Montana Private Equity Pool</u>			
	<u>Shares</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>%</u>
KKR EUROPEAN FUND	13,396,667	13,396,667	26,373,215	4.24%
<b>KKR Total</b>	<b>44,577,328</b>	<b>44,577,328</b>	<b>54,955,561</b>	<b>8.84%</b>
LEHMAN BROTHERS CO	16,627,264	16,627,264	17,376,904	2.79%
<b>LEHMAN BROTHERS Total</b>	<b>16,627,264</b>	<b>16,627,264</b>	<b>17,376,904</b>	<b>2.79%</b>
LEXINGTON CAPITAL PARTNERS VIB	11,516,204	11,516,204	11,643,723	1.87%
LEXINGTON CAPITAL PARTNERS V LP	8,220,001	8,220,001	29,557,455	4.75%
<b>LEXINGTON Total</b>	<b>19,736,205</b>	<b>19,736,205</b>	<b>41,201,178</b>	<b>6.63%</b>
MADISON DEARBORN CAP PART IV	14,483,099	14,483,098	23,029,039	3.70%
MDP IV GLOBAL INVESTMENTS LP	2,746,831	2,746,831	10,923,302	1.76%
MDCP V	13,228,164	13,228,163	13,198,334	2.12%
<b>MADISON DEARBORN Total</b>	<b>30,458,093</b>	<b>30,458,092</b>	<b>47,150,676</b>	<b>7.58%</b>
MATLIN PATTERSON GLOBAL OPP	600,000	600,000	600,000	0.10%
<b>MATLIN PATTERSON Total</b>	<b>600,000</b>	<b>600,000</b>	<b>600,000</b>	<b>0.10%</b>
MHR INSTITUTIONAL III	6,519,441	6,519,441	6,780,434	1.09%
<b>MHR INSTITUTIONAL Total</b>	<b>6,519,441</b>	<b>6,519,441</b>	<b>6,780,434</b>	<b>1.09%</b>
OAK HILL CAPITAL PARTNERS II	10,869,303	10,869,303	11,391,399	1.83%
OAK HILL CP II (CAYMAN)	4,541,167	4,541,167	6,998,978	1.13%
<b>OAK HILL Total</b>	<b>15,410,469</b>	<b>15,410,470</b>	<b>18,390,377</b>	<b>2.96%</b>
OCM OPPORTUNITIES FD IVB LP	1	1	8,582,281	1.38%
<b>OAK TREE Total</b>	<b>1</b>	<b>1</b>	<b>8,582,281</b>	<b>1.38%</b>
ODYSSEY INVESTMENTS PARTNERSHIP FD III	10,901,891	10,901,891	15,395,858	2.48%
<b>ODYSSEY INVESTMENTS Total</b>	<b>10,901,891</b>	<b>10,901,891</b>	<b>15,395,858</b>	<b>2.48%</b>
PORTFOLIO ADVISORS IV (B)	6,424,545	6,424,545	6,424,545	1.03%
PORTFOLIO ADVISORS IV (E)	525,000	525,000	525,000	0.08%
<b>PORTFOLIO ADVISORS Total</b>	<b>6,949,545</b>	<b>6,949,545</b>	<b>6,949,545</b>	<b>1.12%</b>
QUINTANA ENERGY PARTNERS TE LP	5,435,543	5,435,543	5,435,543	0.87%
<b>QUINTANA ENERGY Total</b>	<b>5,435,543</b>	<b>5,435,543</b>	<b>5,435,543</b>	<b>0.87%</b>
TERRA FIRMA III LIMITED PART	40,000	52,090	0	0.00%
<b>TERRA FIRMA Total</b>	<b>40,000</b>	<b>52,090</b>	<b>0</b>	<b>0.00%</b>
WCAS CAPITAL PARTNERS FUND IV	12,750,000	12,750,000	13,971,399	2.25%
WCAS IX	10,830,856	10,830,856	19,629,453	3.16%
WCAS X LP	12,184,944	12,184,944	12,763,193	2.05%
<b>WELSH CARSON Total</b>	<b>35,765,800</b>	<b>35,765,800</b>	<b>46,364,044</b>	<b>7.46%</b>
<b>TOTAL PRIVATE EQUITIES</b>	<b>467,014,219</b>	<b>467,026,309</b>	<b>574,515,122</b>	<b>92.38%</b>
STATE STREET SPIFF	234,163	48,034,891	47,382,427	7.62%
<b>STATE STREET Total</b>	<b>234,163</b>	<b>48,034,891</b>	<b>47,382,427</b>	<b>7.62%</b>
<b>MPEP TOTAL</b>	<b>467,248,382</b>	<b>515,061,200</b>	<b>621,897,548</b>	<b>100.00%</b>

**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

<b><u>Security Investment</u></b>	<b>Montana Real Estate Pool</b>			
	<b><u>Shares</u></b>	<b><u>Carrying Value</u></b>	<b><u>Fair Value</u></b>	<b><u>%</u></b>
ABR Chesapeake Fund III	8,000,000	\$ 8,000,000	\$ 8,000,000	5.04%
Apollo Real Estate Finance Corp.	1,210	1,210,000	1,102,749	0.69%
Clarion Lion Properties Fund	22,029	30,000,000	30,918,179	19.47%
JP Morgan Chase Bank Strategic Properties Fund	30,000	50,421,317	52,322,354	32.95%
Hudson Realty Capital Fund IV	6,750,000	6,750,000	6,715,305	4.23%
Strategic Partners Value Enhancement Fund	4,846,159	4,846,159	4,634,891	2.92%
TA Associates Realty Fund VIII	5,000,000	5,000,000	5,000,000	3.15%
<b>REAL ESTATE Total</b>	<b>24,649,399</b>	<b>106,227,476</b>	<b>108,693,478</b>	<b>68.45%</b>
SHORT TERM INVESTMENT POOL	50,097,254	50,097,254	50,097,254	31.55%
<b>CASH EQUIVALENT Total</b>	<b>50,097,254</b>	<b>50,097,254</b>	<b>50,097,254</b>	<b>31.55%</b>
<b>MTRP TOTAL</b>	<b>74,746,653</b>	<b>\$ 156,324,730</b>	<b>\$ 158,790,732</b>	<b>100.00%</b>

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CONSOLIDATED INVESTMENT POOL FINANCIAL STATEMENTS**

<u>Security Name</u>	<u>Short Term Investment Pool</u>				
	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>%</u>
ADVANTAGE ASSET SECURITY CORP	discount	07/11/07	30,000,000	29,956,000	1.07%
ANGLESEA FUNDING	discount	07/30/07	25,000,000	24,894,170	0.89%
ANGLO IRISH BANK	discount	07/02/07	35,000,000	34,994,901	1.25%
ANGLO IRISH BANK	discount	08/28/07	30,000,000	29,746,250	1.07%
BANCO BILBAO VIZCAYA	discount	07/23/07	25,000,000	24,919,792	0.89%
BANCO BILBAO VIZCAYA	discount	09/27/07	25,000,000	24,677,333	0.88%
BASF AKTIENGESELLSCHAFT	discount	07/02/07	30,700,000	30,695,531	1.10%
BLACK DIAMOND USA	discount	08/03/07	20,000,000	19,903,017	0.71%
BLACK DIAMOND USA	discount	08/10/07	25,000,000	24,853,333	0.89%
BLACK DIAMOND USA	discount	08/21/07	15,000,000	14,886,950	0.53%
BLACK DIAMOND USA	discount	09/24/07	15,000,000	14,811,583	0.53%
BTM CAP CORP	discount	09/19/07	30,000,000	29,647,667	1.06%
BUNGE ASSET FUNDING	discount	07/03/07	30,286,000	30,277,133	1.09%
CENTRESTAR CAPITAL	discount	07/16/07	23,456,000	23,404,397	0.84%
CENTRESTAR CAPITAL	discount	07/19/07	25,000,000	24,934,000	0.89%
CENTRESTAR CAPITAL	discount	07/25/07	20,000,000	19,929,600	0.71%
CHECK POINT CHARLIE LTD	discount	08/09/07	20,000,000	19,885,817	0.71%
CHECK POINT CHARLIE LTD	discount	08/15/07	30,000,000	29,802,375	1.07%
CIMARRON CDO LTD	discount	08/01/07	40,000,000	39,818,133	1.43%
CIT GROUP INC	discount	07/27/07	30,000,000	29,886,250	1.07%
CIT GROUP INC	discount	08/29/07	30,000,000	29,740,892	1.07%
COMMERZBANK U S FINANCE	discount	07/03/07	25,000,000	24,992,722	0.90%
CORAL CAPITAL	discount	07/23/07	25,000,000	24,917,347	0.89%
CORPORACION ANDINA DE FOMENTO	discount	08/31/07	30,000,000	29,732,617	1.07%
DEER VY FUNDING LTD	discount	08/21/07	21,038,000	20,880,636	0.75%
DEPFA BANK PLC	discount	07/26/07	25,000,000	24,909,201	0.89%
DZ BANK AG DEUTSCHE ZENTRAL	discount	07/06/07	30,000,000	29,978,167	1.07%
EBURY FINANCE LTD	discount	08/02/07	25,000,000	24,883,111	0.89%
EBURY FINANCE LTD	discount	09/21/07	30,000,000	29,635,783	1.06%
EXPORT IMPORT BANK KOREA	discount	07/24/07	25,000,000	24,915,986	0.89%
FOUR WINDS FUNDING CORP	discount	07/02/07	40,000,000	39,994,156	1.43%
GOLDEN KEY LTD	discount	08/10/07	38,000,000	37,774,533	1.35%
GOLDEN KEY LTD	discount	07/31/07	48,000,000	47,789,600	1.71%
HIGH GRADE STRUCTURED	discount	08/07/07	30,000,000	29,837,200	1.07%
HIGH GRADE STRUCTURED	discount	08/29/07	10,129,000	10,041,018	0.36%
HIGH GRADE STRUCTURED	discount	09/05/07	25,000,000	24,755,708	0.89%
JOHN DEERE CAPITAL CO	discount	07/17/07	25,000,000	24,941,889	0.89%
KLIO FUNDING LTD/CORP	discount	09/20/07	40,000,000	39,520,300	1.42%
KOMMUNALKREDIT INTL BANK	discount	07/02/07	30,000,000	29,995,617	1.08%
KOMMUNALKREDIT INTL BANK	discount	08/16/07	30,000,000	29,798,367	1.07%
MACQUARIE BANK LIMITED	discount	08/17/07	25,000,000	24,828,319	0.89%
MACQUARIE BANK LIMITED	discount	08/22/07	30,000,000	29,772,067	1.07%
MAXIMILLIAN CAPITAL CORP	discount	09/13/07	13,975,000	13,821,314	0.50%
MAXIMILLIAN CAPITAL CORP	discount	09/18/07	41,682,000	41,192,642	1.48%
MERRIL LYNCH + CO	discount	07/18/07	30,000,000	29,925,908	1.07%
MGIC INVESTMENT CORP	discount	08/24/07	14,561,000	14,445,022	0.52%
MGIC INVESTMENT CORP	discount	09/13/07	10,000,000	9,891,056	0.35%
NATIXIS	discount	08/08/07	30,000,000	29,833,750	1.07%
NATIXIS	discount	08/14/07	30,000,000	29,807,133	1.07%
NEPTUNE FUNDING CORP	discount	08/03/07	16,456,000	16,376,051	0.59%
NEPTUNE FUNDING CORP	discount	08/20/07	14,098,000	13,995,006	0.50%
NEPTUNE FUNDING CORP	discount	08/30/07	30,000,000	29,736,000	1.07%
OLD COURT FUNDING CO LTD	discount	09/06/07	26,553,000	26,291,578	0.94%
ORCHID FUNDING CORP	discount	07/09/07	20,000,000	19,976,578	0.72%
ORCHID FUNDING CORP	discount	09/17/07	30,000,000	29,655,500	1.06%
ORCHID FUNDING CORP	discount	09/17/07	30,000,000	29,652,250	1.06%
PANTERRA FUNDING	discount	07/09/07	25,000,000	24,970,667	0.90%
RHINELAND FUNDING CAPITAL	discount	07/12/07	14,103,000	14,080,247	0.50%
RHINELAND FUNDING CAPITAL	discount	08/20/07	48,023,000	47,670,164	1.71%

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<b>Security Name</b>	<b>Short Term Investment Pool</b>				
	<b>Coupon</b>	<b>Maturity</b>	<b>Par</b>	<b>Amortized Cost</b>	<b>%</b>
RHINELAND FUNDING CAPITAL	discount	09/25/07	30,000,000	29,617,300	1.06%
ROMULUS FUNDING CORP	discount	09/25/07	30,906,000	30,511,742	1.09%
SACHSEN FUNDING I LTD	discount	08/13/07	30,000,000	29,810,442	1.07%
SUNBELT FUNDING CORP	discount	07/10/07	20,000,000	19,973,700	0.72%
SUNBELT FUNDING CORP	discount	07/13/07	23,516,000	23,474,769	0.84%
SUNBELT FUNDING CORP	discount	07/27/07	15,000,000	14,943,125	0.54%
SYDNEY CAPITAL INC	discount	08/23/07	16,370,000	16,242,509	0.58%
TIMES SQUARE	discount	07/20/07	40,000,000	39,888,744	1.43%
TIMES SQUARE	discount	08/23/07	30,000,000	29,766,800	1.07%
UBS FINANCE DEL LLC	discount	08/06/07	25,000,000	24,869,000	0.89%
WHITE POINT FUNDING INC	discount	07/05/07	18,788,000	18,776,999	0.67%
<b>Commercial Paper</b>	<b>70 Issue(s)</b>		<b>1,865,640,000</b>	<b>1,854,755,464</b>	<b>66.48%</b>
CHEYNE FINANCE	5.360	09/25/07	30,000,000	29,998,613	1.08%
CREDIT INDUSTRIEL	5.405	06/11/08	50,000,000	50,002,277	1.79%
CREDIT SUISSE	5.330	01/16/08	35,000,000	35,000,000	1.25%
CREDIT SUISSE	5.410	08/24/07	40,000,000	40,000,284	1.43%
HARRIER FINANCE FUNDING	5.360	05/29/08	40,000,000	40,000,000	1.43%
HARRIER FINANCE FUNDING	5.418	06/06/08	40,000,000	40,000,000	1.43%
PREMIER ASSET	5.260	12/21/07	30,000,000	30,000,000	1.08%
PREMIER ASSET	5.440	08/27/07	30,000,000	30,000,000	1.08%
SIGMA FINANCE INC	5.385	02/04/08	30,000,000	30,000,000	1.08%
THETA CORP	5.430	09/21/07	30,000,000	30,000,000	1.08%
THETA CORP	5.400	02/08/08	40,000,000	40,000,000	1.43%
VETRA FINANCE INC	5.430	06/20/08	40,000,000	40,000,000	1.43%
WELLS FARGO BANK	5.400	08/31/07	40,000,000	40,000,000	1.43%
<b>Corporate Fixed</b>	<b>13 Issue(s)</b>		<b>475,000,000</b>	<b>475,001,174</b>	<b>17.03%</b>
AXON FINANCIAL FUNDING	5.310	04/15/08	50,000,000	49,997,031	1.79%
AXON FINANCIAL FUNDING	5.345	04/14/08	40,000,000	39,996,870	1.43%
CORTLAND CAPITAL	5.320	03/13/08	50,000,000	50,000,000	1.79%
CORTLAND CAPITAL	5.344	04/15/08	25,000,000	24,998,971	0.90%
CULLINAN FINANCE	5.310	01/04/08	25,000,000	24,997,597	0.90%
ORION FINANCE USA	5.336	01/16/08	25,000,000	24,998,637	0.90%
ORION FINANCE USA	5.336	04/21/08	25,000,000	24,998,593	0.90%
PARKLAND USA LLC	5.330	05/27/08	25,000,000	24,997,751	0.90%
PARKLAND USA LLC	5.330	11/15/07	25,000,000	25,000,000	0.90%
PARKLAND USA LLC	5.330	02/28/08	25,000,000	24,998,343	0.90%
STANFIELD VICTORIA FINANCE	5.285	09/04/07	25,000,000	24,999,779	0.90%
THETA CORP	5.345	01/14/08	15,000,000	15,000,000	0.54%
ZELA FINANCE INC	5.330	11/14/07	25,000,000	24,999,069	0.90%
<b>Corporate Variable-Rate (Floating Rate)</b>	<b>15 Issue(s)</b>		<b>380,000,000</b>	<b>379,982,640</b>	<b>13.62%</b>
MONTANA HIGHER ED STUDENT ASSISTANCE CORP	5.820	08/01/07	5,000,000	5,000,000	0.18%
<b>Municipal Variable Rate (Unrated)</b>	<b>1 Issue(s)</b>		<b>5,000,000</b>	<b>5,000,000</b>	<b>0.18%</b>
STATE STREET INSTITUTIONAL LIQUID RESERVES	5.263	12/31/99	25,000,000	25,000,000	0.90%
<b>Money Market Funds</b>	<b>1 Issue(s)</b>		<b>25,000,000</b>	<b>25,000,000</b>	<b>0.90%</b>
FEDERAL FARM CREDIT BANKS	5.300	08/16/07	25,000,000	24,999,456	0.90%
FEDERAL HOME LOAN BANK	5.250	09/04/07	25,000,000	25,000,000	0.90%
<b>U.S. Government Indirect-Backed</b>	<b>2 Issue(s)</b>		<b>50,000,000</b>	<b>49,999,456</b>	<b>1.80%</b>
<b>Grand Total</b>	<b>100 Issue(s)</b>		<b>2,800,640,000</b>	<b>2,789,738,734</b>	<b>100.00%</b>



**STATE OF MONTANA BOARD OF INVESTMENTS  
ALL OTHER FUNDS FINANCIAL STATEMENTS**

**STATEMENT OF NET INVESTMENTS MANAGED, JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b><u>Assets</u></b>		
Investments managed at fair value		
(amortized cost of \$1,428,644,473 in 2007 and \$1,482,517,445 in 2006) (Notes 2, 6 and 13)	\$ 1,449,900,519	\$ 1,476,243,872
Security lending cash collateral (Notes 3, 6 and 12)	235,940,297	198,156,646
Interest receivable	16,032,675	15,409,976
Broker receivable for securities sold but not settled (Note 2)	<u>179,107</u>	<u>127,807</u>
Total assets	<u>\$ 1,702,052,598</u>	<u>\$ 1,689,938,301</u>
<b><u>Liabilities</u></b>		
Unrealized gain (loss)	\$ 21,256,046	\$ (6,273,573)
Security lending obligations	235,940,297	198,156,646
Security lending expense payable	1,128,657	811,666
Broker payable for securities purchased but not settled (Note 2)	0	0
Accounts payable	<u>39,437</u>	<u>31,996</u>
Total liabilities	<u>\$ 258,364,437</u>	<u>\$ 192,726,735</u>
Net investments managed	<u>\$ 1,443,688,161</u>	<u>\$ 1,497,211,566</u>

**STATEMENT OF NET INVESTMENT INCOME  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

<b><u>Income</u></b>		
Investment income (Note 2)	\$ 70,529,012	\$ 68,598,183
Realized gain/loss on sales (Note 2)	152,236,339	41,367,058
Amortization/accretion	1,715,127	1,011,473
Security lending income	<u>9,416,180</u>	<u>9,457,635</u>
Total income	<u>\$ 233,896,658</u>	<u>\$ 120,434,349</u>
<b><u>Expenses</u></b>		
Administrative expenses	776,251	929,648
Security lending expense	<u>9,322,249</u>	<u>9,308,384</u>
Total expenses	<u>\$ 10,098,500</u>	<u>\$ 10,238,032</u>
Net investment income	<u>\$ 223,798,158</u>	<u>\$ 110,196,317</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF MONTANA BOARD OF INVESTMENTS  
ALL OTHER FUNDS FINANCIAL STATEMENTS**

**STATEMENT OF CHANGES IN NET INVESTMENTS MANAGED  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>Total net investments managed, beginning of year</b>	\$ 1,497,211,566	\$ 1,461,896,844
<b>Net investment income</b>	<b>223,798,158</b>	<b>110,196,317</b>
<b>Income remitted to agencies</b>	<b><u>224,420,857</u></b>	<b><u>111,459,190</u></b>
<b>Increase (decrease) in interest receivable</b>	<b>622,699</b>	<b>1,262,873</b>
<b>Increase (decrease) in broker receivable (Note 2)</b>	<b>51,300</b>	<b>(22,442)</b>
<b>Increase (decrease) in security lending cash collateral (Notes 3 and 6)</b>	<b>37,783,651</b>	<b>172,680,425</b>
<b>Investments purchased</b>	<b>4,792,562,252</b>	<b>5,512,694,333</b>
<b>Investments sold, matured and called</b>	<b><u>(4,848,150,351)</u></b>	<b><u>(5,486,266,522)</u></b>
<b>Increase (decrease) in book value of investments</b>	<b>(55,588,099)</b>	<b>26,427,811</b>
<b>Increase (decrease) in book value of investments due to net amortization of discounts and premiums</b>	<b>1,715,127</b>	<b>1,011,473</b>
<b>(Increase) decrease in broker payable (Note 2)</b>	<b>0</b>	<b>7,000,000</b>
<b>(Increase) decrease in accounts payable</b>	<b>(7,441)</b>	<b>(21,368)</b>
<b>(Increase) decrease in security lending obligations (Notes 3 and 6)</b>	<b>(37,783,651)</b>	<b>(172,680,425)</b>
<b>(Increase) decrease in security lending expense payable</b>	<b><u>(316,991)</u></b>	<b><u>(343,625)</u></b>
<b>Net investments managed, end of year</b>	<b>\$ <u>1,443,688,161</u></b>	<b>\$ <u>1,497,211,566</u></b>

The accompanying notes are an integral part of these financial statements.

**STATE OF MONTANA BOARD OF INVESTMENTS  
ALL OTHER FUNDS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

**1. HISTORY AND ORGANIZATION**

The Board was created by an act of the Legislature to invest and manage the Unified Investment Program on a centralized basis per section 17-6-201, MCA. The All Other Funds (AOF) investments and income are owned by various State of Montana agencies and managed by the Board.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Investments**

The AOF investments are purchased in accordance with the statutorily mandated ‘Prudent Expert Principle’ and applicable investment restrictions of the participants. The AOF portfolio includes securities classified as corporate, U.S. government direct-backed, U.S. government indirect-backed, equity index, real estate, mortgages and loans. U.S. government direct-backed securities include direct obligations of the U.S. Treasury and obligations explicitly guaranteed by the U.S. government. U.S. government indirect-backed obligations include U.S. government agency and mortgage-backed securities. U.S. government mortgage-backed securities reflect participation in a pool of residential mortgages. Equity index investments are investments in selected mutual funds whose equity portfolios match a broad based index or composite.

AOF fixed income securities pay a fixed rate of interest until maturity while the variable-rate (floating-rate) securities pay a variable interest rate until maturity. As of June 30, 2007, the AOF portfolio held three variable rate corporate bonds with an amortized cost of \$19 million. As of June 30, 2006, the AOF portfolio held two variable rate corporate bonds with an amortized cost of \$14 million. The AOF variable-rate securities float with LIBOR (London Interbank Offered Rate). (See Note 13 for the Year End Portfolio.)

Investments are presented in the Statement of Net Investments Managed at fair value. Fair values for publicly traded securities are determined primarily by reference to market prices supplied by the Board’s custodial bank, State Street Bank and Trust. The real estate investments and residential and multi-family mortgages are valued based on a discounted cash flow. The commercial in-state coal tax loans and the nonparticipating repurchase agreements are reported at amortized cost. Amortized cost, parenthetically disclosed, represents the original cost, adjusted for premium and discount amortization where applicable. Premiums and discounts are amortized/accreted using the straight-line or scientific method to the call, average life or maturity date of the securities. Amortized cost may also be referred to as book value.

**Broker Receivable/Payable**

AOF security transactions are recorded as of the trade date rather than the settlement date. Because of this generally accepted practice, the AOF portfolio at June 30 may include receivables from brokers for securities sold but not delivered, and payables to brokers for securities purchased but not received.

**Montana Mortgages and Loans Receivable**

The Montana mortgages and loans receivable, included in the Statement of Net Investments Managed, represent residential mortgages and commercial loans funded by the Public Employees’ and Teachers’ pension funds and the Coal Severance Tax Trust fund. The Coal Severance Tax Trust loan portfolio includes loans made by the Montana Science and Technology Alliance (MSTA) Board. The MSTA Board was abolished on July 1, 1999 and the MSTA portfolio was assigned to the Board of Investments. (See Note 7 for the Montana mortgages and loans portfolio).

In June 2005, the Board received notice that Positive Systems, Inc. has “ceased business operations”. This borrower, funded by the MSTA, received \$200,000 and \$350,000 in May 1994 and March 1998, respectively. As of June 30, 2006, Positive Systems, Inc. had an outstanding loan balance of \$546,074. In July 2006, the Board received confirmation that Positive Systems, Inc. has “indeed ceased all business operation”. This loan balance of \$546,074 was written off in September 2006. With the exception of this loan, there were no other uncollectible account balances for Montana mortgages and loans receivable as of June 30, 2007 and 2006.

## **Investment Income**

Investment income reported in the Statement of Net Investment Income includes fixed income and mortgage interest earnings, real estate lease income, commercial loan interest earnings and commitment fees.

## **Realized Gain on Sales**

Realized gain on sales reported in the Statement of Net Investment Income represents the net gain/loss resulting from the sale of fixed income and pool investments. In fiscal year 2007, the sale of pool units from the Montana Domestic Equity Pool (MDEP), Montana International Equity Pool (MTIP) and the Trust Funds Bond Pool (TFBP), generated a net gain to participants of \$154,843,150. In fiscal year 2006, the sale of pool units from the Montana Domestic Equity Pool (MDEP), Trust Funds Bond Pool (TFBP), and the Montana International Equity Pool (MTIP) generated a net gain to participants of \$42,974,810.

## **3. SECURITIES LENDING**

The Board is authorized by law to lend its securities and has contracted with the custodial bank, State Street Bank and Trust “the Bank”, to lend the Board’s securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, the Board receives a fee and the custodial bank must initially receive collateral equal to 102 percent of the fair value of the loaned securities and maintain collateral equal to not less than 102 percent of the fair value of the loaned security. The Board retains all rights and risks of ownership during the loan period.

During fiscal years 2007 and 2006, the Bank loaned certain Board securities and received U.S. dollar currency cash, U.S. government and government sponsored securities, U.S. corporate debt securities, supranational agencies debt, asset backed securities and irrevocable bank letters of credit. The Bank does not have the ability to pledge or sell collateral securities unless the borrower defaults.

The Board did not impose any restrictions during fiscal years 2007 and 2006 on the amount of Board securities the Bank could loan. There were no failures by any borrowers to return loaned securities or pay distributions thereon during fiscal years 2007 and 2006. Moreover, there were no losses during fiscal years 2007 and 2006 resulting from a default of the borrowers or the Bank.

During fiscal years 2007 and 2006, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool. The Securities Lending Quality Trust has a weighted average maturity of 66 and 56 days, respectively, as of June 30, 2007 and 2006. The Quality D Trust has a weighted average maturity of 68 and 58 days, respectively, as of June 30, 2007 and 2006. The relationship between the average maturities of the investment pool and the Board’s loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the Board could not determine. At year-end, the Board had no credit risk exposure to borrowers because the collateral pledged by the borrowers exceeded the value of the securities borrowed.

As of June 30, 2007, the fair value of the underlying securities on loan for the All Other Funds was \$300,291,105. The collateral provided for the securities on loan totaled \$235,940,297 in cash and \$69,739,224 in securities collateral. The fair value of the underlying securities on loan is categorized as \$31,643,553 corporate, \$29,067,343 U.S. government direct-backed and \$239,580,209 U.S. government indirect-backed.

As of June 30, 2006, the fair value of the underlying securities on loan for the All Other Funds was \$198,856,122. The collateral provided for the securities on loan totaled \$198,156,646 in cash and \$6,215,625 in securities collateral. The fair value of the underlying securities on loan is categorized as \$13,680,605 corporate, \$ 26,930,388, U.S. government direct-backed and \$158,245,129 U.S. government indirect-backed.

## **4. COAL TAX LOAN AND MORTGAGE COMMITMENTS**

The Board makes firm commitments to fund loans from the Coal Severance Tax Trust fund. These commitments have expiration dates and may be extended according to the Board's policies. As of June 30, 2007, the Board had committed but not yet purchased \$12,042,000 in loans from Montana lenders, compared to \$76,503,977 as of June 30, 2006. In addition to the above commitments, lenders had reserved \$40,754,872 for loans as of June 30, 2007, compared to \$55,143,007 on the same date in 2006.

The Board makes reservations to fund mortgages from the Public Employees' and Teachers' retirement funds. As of June 30, 2007, mortgage reservations totaled \$791,491. As of June 30, 2006, mortgage reservations totaled \$1,478,884. Effective December 1, 2005, all Board residential mortgage purchases are processed by the Montana Board of Housing (MBOH). The MBOH does not differentiate between a mortgage reservation and a funding commitment.

## 5. PENSION FUND REAL ESTATE INVESTMENTS

### 100 North Park Building

In January 1996, the Board, on behalf of the Public Employees' and Teachers' Retirement funds, purchased the 100 North Park Avenue Building in Helena, Montana as a real estate investment. Acquired for a cost of \$4,864,326, the building carries a fair value of \$6,500,874 as of June 30, 2007. During fiscal year 2007, building improvements for build-outs, heating/cooling, and leasing fees totaling \$352,187 were added to the cost of the building. Building improvements and leasing fees totaling \$64,607 were included in the cost of the building in fiscal year 2006. The three-story building provides office space for seven tenants.

### 2401 Colonial Drive Building

In August 1997, the Board authorized the construction of an office building, as a real estate investment owned equally by the Public Employees' and Teachers' Retirement funds. Construction costs, including interest capitalization, totaled \$6,481,741 as of June 30, 2000. For fiscal year 2007, \$99 was capitalized for a composite plan of building and heating/cooling system improvements. In fiscal year 2006, heating/cooling system improvements and leasing fees of \$93,257 were added to the building cost. The three-story building, providing office space for three tenants, was occupied in November 1999. As of June 30, 2007, the building carries a cost and fair value of \$7,183,950 and \$7,676,349, respectively.

### 2273 Boot Hill Court Building

In August 1999, the Board authorized the purchase of a new office building in Bozeman, Montana. Upon construction completion, the Public Employees' and Teachers' Retirement funds purchased the building, in March 2004, as a real estate investment with equal ownership, for \$2,051,032. In fiscal year 2007 and 2006, there were no improvements made to this building. The building, located on state school trust land, is occupied by four state agencies. As of June 30, 2007, the building carries a fair value of \$2,082,014.

### 1712 Ninth Avenue Building

In November 2000, the Land Board authorized the transfer of the Public Employees' Retirement Administration (PERA) office building, located at 1712 Ninth Avenue, Helena, to the Board of Investments. By issuance of a corrective deed, the Board of Investments was named owner and building manager for the use and benefit of the PERA. In fiscal year 2007, there were no improvements made to this building. In fiscal year 2006, installations were made for door operators totaling \$3,257. As of June 30, 2007, the building, occupied by one tenant, is valued at \$579,625.

The schedule below details the minimum future rentals for the above buildings with non-cancelable operating leases as of June 30, 2007 and 2006:

#### Minimum future rentals for the year ending June 30, 2007:

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013+</u>	<u>Total</u>
\$933,825	\$591,639	\$531,938	\$415,526	\$256,222	\$261,313	\$2,990,461

#### Minimum future rentals for the year ending June 30, 2006:

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012+</u>	<u>Total</u>
\$833,146	\$432,518	\$435,122	\$439,993	\$413,109	\$477,931	\$3,031,819

### California Street Property

In December 1998, the Board acquired a parcel of land adjacent to the Colonial Drive building to provide for additional parking. This land was purchased for \$204,835. For fiscal year 2007, \$756 in filing fees were capitalized related to the purchase of the property. As of June 30, 2007 the property carries a fair value of \$214,359.

### State Fund Building Property

**On May 18, 2006, the Board approved authorization for a real estate allocation in the Montana State Fund portfolio for the cost of a new building. On May 17, 2007, the Board acquired land at a cost of \$1,131,940. Building construction will begin in fiscal year 2008. With interest capitalization of \$7,520, the land carries a book and fair value of 1,139,460 as of June 30, 2007.**

## **6. INVESTMENT RISK DISCLOSURES**

**Effective June 30, 2005, the Board implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40 – Deposit and Investment Risk Disclosures. The investment risk disclosures are described in the following paragraphs.**

### **Credit Risk**

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. With the exception of the U.S. government securities, the AOF fixed income instruments have credit risk as measured by major credit rating services. This risk is that the issuer of a fixed income security may default in making timely principal and interest payments. The Board of Investment's policy requires AOF fixed income investments, at the time of purchase, to be rated an investment grade as defined by Moody's and Standard & Poor's (S&P) rating services. The U.S. government securities are guaranteed directly or indirectly by the U.S. government. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The credit ratings presented in the following table are provided by S& P's rating services. If an S&P rating is not available, a Moody's rating has been used.

### **Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2007 and 2006, all the fixed income and other equity securities were registered in the nominee name for the Montana Board of Investments and held in the possession of the Board's custodial bank, State Street Bank. The Equity Index, Real Estate, Mortgage and Loan investments are registered in the name of the Montana Board of Investments. The State Street and US Bank repurchase agreements were purchased in the State of Montana Board of Investments name.

### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. With the exception of one fund, the 18 remaining investment policy statements for various state agencies do not address concentration of credit risk. One fund requires credit risk to be limited to 3 percent in any one name except AAA rated issues will be limited to 6%. This fund also has specific client preferences. Investments issued or explicitly guaranteed by the U.S. government and investments by various state agencies, pooled as the All Other Funds, are excluded from the concentration of credit risk requirement.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The All Other Funds' investment policies do not formally address interest rate risk. In accordance with GASB Statement No. 40, the Board has selected the effective duration method to disclose interest rate risk. This method, as provided by the custodial bank, is "An option-adjusted measure of a bond's (or portfolio's) sensitivity to changes in interest rates." Duration is calculated as the average percentage change in a bond's value (price plus accrued interest) under shifts of the Treasury curve plus/minus 100 basis points. The effective duration method incorporates the effect of the embedded options for bonds and changes in prepayments for mortgage-backed securities (including pass-throughs, CMOs and ARMs)."

As of June 30, 2007 and 2006, the AOF portfolio did not hold any structured financial instruments known as REMICs (Real Estate Mortgage Investment Conduits). REMICs are pass-through vehicles for multiclass mortgage-backed securities. The REMIC securities are based on separate or combined cash flows from principal and interest payments on underlying mortgages.

Corporate asset-backed securities are based on cash flows from principal and interest payments on underlying auto loan receivables, credit card receivables, and other assets. These securities, while sensitive to prepayments due to interest rate changes, have less credit risk than securities not backed by pledged assets.

State of Montana investments are categorized below to disclose credit and interest rate risk as of June 30, 2007 and June 30, 2006. Credit risk reflects the bond quality rating, by investment type, as of the June 30 report date. Interest rate risk is disclosed using effective duration. If a bond investment type is unrated, the quality type is indicated by NR (not rated). Both the credit quality ratings and duration have been calculated excluding cash equivalents. If duration has not been calculated, duration is indicated by NA (not applicable).

**Credit Quality Rating and Effective Duration as of June 30, 2007**

<u>Security Investment Type</u>		<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$	<b>440,549,099</b>	A+	<b>3.89</b>
U.S. Government Direct-Backed		<b>59,915,749</b>	<b>AAA</b>	<b>4.62</b>
U.S. Government Indirect-Backed		<b>517,414,883</b>	<b>AAA</b>	<b>3.30</b>
US Bank Sweep Repurchase Agreement*		<b>18,255,027</b>	<b>NR</b>	<b>NR</b>
Total Fixed Income Investments	\$	<b>1,036,134,758</b>	<b>AA</b>	<b>3.63</b>
<b>Direct Investments</b>				
Equity Index Fund	\$	<b>100,545,339</b>		
Real Estate		<b>18,192,681</b>		
MT Mortgages and Loans		<b>295,027,741</b>		
Total Direct Investments	\$	<b>413,765,761</b>		
TOTAL INVESTMENTS	\$	<b><u>1,449,900,519</u></b>		
Securities Lending Collateral Investment Pool	\$	<b><u>235,940,298</u></b>	NR	NA

\*At June 30, 2007, the US Bank repurchase agreement, per contract, was collateralized at 102% for \$18,628,275 by a Federal Home Loan Mortgage Corporation REMIC maturing April 15, 2034. This security carries a AAA credit quality rating.

**Credit Quality Rating and Effective Duration as of June 30, 2006**

<u>Security Investment Type</u>		<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$	<b>386,073,420</b>	A	<b>3.69</b>
U.S. Government Direct-Backed		<b>62,682,844</b>	<b>AAA</b>	<b>4.55</b>
U.S. Government Indirect-Backed		<b>620,036,700</b>	<b>AAA</b>	<b>2.39</b>
US Bank Sweep Repurchase Agreement*		<b>18,642,905</b>	<b>NR</b>	<b>NA</b>
Total Fixed Income Investments	\$	<b><u>1,087,435,869</u></b>	<b>AA</b>	<b>2.99</b>
<b>Direct Investments</b>				
Equity Index Fund	\$	<b>83,377,362</b>		
Real Estate		<b>16,693,086</b>		
MT Mortgages and Loans		<b>288,737,555</b>		
Total Direct Investments	\$	<b><u>388,808,003</u></b>		
TOTAL INVESTMENTS	\$	<b><u>1,476,243,872</u></b>		
Securities Lending Collateral Investment Pool	\$	<b><u>198,156,646</u></b>	NR	NA

\*At June 30, 2006, the US Bank repurchase agreement, per contract, was collateralized at 102% for \$19,024,084 by a Federal Home Loan Mortgage Corporation REMIC maturing July 15, 2033. This security carries a AAA credit quality rating.

**Legal Risk**

The Board is not aware of any legal risks regarding any AOF investments.

## 7. MONTANA MORTGAGES AND LOANS

The Montana mortgages and loans portfolio is shown below.

<u>Montana Mortgages and Loans</u>		<u>2007 Book Value</u>	<u>2006 Book Value</u>
<b>Residential Mortgages</b>	\$	<b>68,837,530</b>	<b>80,750,504</b>
Science and Technology Alliance <sup>(1)</sup>		4,286,782	4,985,147
Montana University System		8,802,368	8,880,585
Department of Natural Resources <sup>(2)</sup>		11,573,605	31,047,064
Department of Justice		2,317,000	2,112,000
Montana Facility Finance		4,615,196	14,476
Local Government Infrastructure		18,859,692	7,465,725
Value-added Loans		17,760,734	9,191,738
Commercial Loans		<u>158,551,796</u>	<u>145,231,919</u>
<b>Permanent Coal Trust Loans</b>		<b>226,767,173</b>	<b>208,928,654</b>
<b>Total Montana Mortgages and Loans</b>	\$	<b>295,604,703</b>	<b>289,679,158</b>

(1) The Montana Science and Technology Alliance (MSTA) loans include funding for research and development, mezzanine and seed capital loans.

(2) In accordance with Senate Bill 495 enacted by the 2001 Legislature, the Coal Severance Tax Permanent Trust loaned 483,604 TFBP shares, with a book value of \$46,366,904, to the Department of Natural Resources, Trust and Legacy fund on July 2, 2001. The loan proceeds were deposited in the Trust and Legacy Fund. A loan receivable was recorded in the Coal Severance Tax Permanent Trust and a corresponding liability was recorded in the Guarantee Fund, a General Fund sub-fund. The August 2002 Special Legislative Session approved the request to record this activity in a state special revenue fund of the Office of Public Instruction rather than in the Guarantee Fund. In fiscal year 2007, the Trust and Legacy Fund paid \$19,473,459 to the Coal Severance Tax Permanent Trust. These transactions reduced the TFBP shares on loan to 120,712 with a corresponding book value of \$11,573,605. During fiscal year 2006, the Trust and Legacy Fund paid \$10,848,960 to the Coal Severance Tax Permanent Trust reducing the TFBP shares on loan to 323,819 with a corresponding book value of \$31,047,064.

## 8. DEUTSCHE BANK SECURITIES, INC. COMPLAINT

The Board received a summons and complaint, dated September 3, 2002, regarding the sale of a Pennzoil Quaker State, \$2 million par, 6.75% corporate bond maturing April 1, 2009. Deutsche Bank Securities claims a “breach of contract” for the March 25, 2002 sale of the bond at a price of \$94.669 plus accrued interest. Deutsche Bank Securities seeks damages of \$215,453 for the additional costs incurred to acquire the bond from third parties, plus any statutory interest, costs and expenses. On October 1, 2002, Shell Oil Company acquired Pennzoil and subsequently announced a public tender of Pennzoil Quaker State debt. The Board tendered the Pennzoil Quaker State holdings on October 8, 2002 at a price of \$113.099. The tender was accepted with a settlement date of November 1, 2002. On November 4, 2002, the Board received \$2,273,230 in principal and interest plus \$60,000 as a consent fee.

On December 11, 2003, the Supreme Court of the State of New York, New York County, entered an order dismissing Deutsche Bank’s complaint on jurisdictional grounds. Deutsche Bank appealed that decision to the Appellate Division, which on June 14, 2005 reversed the Supreme Court and entered an order determining the Board to be liable and remanding the matter back to the Supreme Court for a determination of damages. The Board appealed that decision to the New York Court of Appeals, which on June 6, 2006 affirmed the Appellate Division’s decision. The Board petitioned for certiorari to the United States Supreme Court on certain jurisdictional issues but the petition was not considered. As a stipulation of discontinuance, the sum of \$266,600 was paid to Deutsche Bank on March 28, 2007.

## 9. LOAN GUARANTEES

As of June 30, 2007, loan guarantees provided by the Coal Severance Tax Permanent Trust to the Enterprise Fund and the Montana Facility Finance Authority total \$186,630,336. Board of Investment exposure to bond issues of the Enterprise Fund is \$98,850,000 while exposure to bond issues, surety bonds and designated loans of the Facility Finance Authority is \$87,780,336.

As of June 30, 2006, loan guarantees provided by the Coal Severance Tax Permanent Trust to the Enterprise Fund and the Montana Facility Finance Authority total \$131,280,309. Board of Investment exposure to bond issues of the Enterprise Fund

is \$84,050,000 while exposure to bond issues, surety bonds and designated loans of the Facility Finance Authority is \$47,230,309.

#### **10. CLASS ACTION LITIGATION**

In April 2005, the Board signed a contract with the law firm Barrack, Rodos & Bacine to ensure that the Board participates in all class action litigation to which it is entitled to participate. Historically, the Board has relied on the Bank to complete and file class action claims on the Board's behalf. While the Bank will continue to complete these duties, the law firm will monitor transactions that may entitle the Board to be a party in any class action litigation. The law firm will access Board portfolios and securities transactions on the Bank's accounting system and request written documentation from the Bank proving the claims have been filed. Class action litigation results from fraudulent activity damaging the Board's investments. While the Board has never pursued becoming a lead plaintiff in class action litigation, the law firm contract permits the Board to become a lead or co-lead plaintiff in these instances. Under certain circumstances the Board's fiduciary responsibility may require it to act as a lead or co-lead plaintiff to recover funds lost to fraud or other questionable activity.

#### **11. RESTATEMENT**

Due to a correction of an error, the Security Lending Cash Collateral and the Security Lending Obligation, as of June 30, 2006, of \$372,705,511 has been restated as \$198,156,646. The Total Assets and Total Liabilities as of June 30, 2006 have been restated from \$1,864,487,166 and \$367,275,600 to \$1,689,938,301 and \$192,726,735, respectively. The Net Assets Managed of \$1,443,688,161 as of June 30, 2006 remains unchanged.

#### **12. YEAR END PORTFOLIO**

The June 30, 2007 All Other Funds portfolio is listed below. The security type percentage is based on the fair value ratio of the specific category of securities to the total portfolio.

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>%</u>
US BANK REPURCHASE AGREEMENT	5.250	07/02/07	18,255,027	18,255,027	18,255,027	1.26%
<b>Cash Equivalents</b>			<b>18,255,027</b>	<b>18,255,027</b>	<b>18,255,027</b>	<b>1.26%</b>
AA / FT WORTH HQ FINANCE TRUST	5.500	10/05/10	6,827,172	6,827,172	6,784,502	0.47%
ABBOTT LABS	3.500	02/17/09	10,000,000	9,982,762	9,730,916	0.67%
AMERICAN EXPRESS CO	5.500	09/12/16	5,000,000	4,976,584	4,930,155	0.34%
AMERICAN GENERAL FINANCE CORP	4.875	05/15/10	5,000,000	4,999,598	4,925,572	0.34%
ARIA CDO II	VAR	10/10/12	10,000,000	10,000,000	10,835,000	0.75%
B J SERVICES	5.750	06/01/11	5,000,000	4,994,847	4,995,570	0.34%
BANC AMER COML MTG TRUST 2007-1	5.381	01/15/49	5,000,000	5,023,397	4,938,947	0.34%
BANC AMER COML MTG TRUST 2007-2	5.634	04/10/49	5,000,000	5,024,822	4,990,657	0.34%
BANK AMER CORP	3.375	02/17/09	5,000,000	4,991,511	4,858,817	0.34%
BANK AMER CORP	5.375	06/15/14	5,000,000	4,968,159	4,900,538	0.34%
BUNGE NA FINANCE LP	5.900	04/01/17	5,000,000	4,994,457	4,813,352	0.33%
BN RR CO EQUIPMENT TRUST	6.940	01/02/14	2,715,398	2,715,398	2,715,398	0.19%
BN SANTA FE EQUIPMENT TRUST	7.160	01/02/20	3,954,175	3,954,175	4,175,865	0.29%
CIT GROUP EQUIPMENT TRUST	6.490	01/05/21	6,367,961	6,367,961	6,500,026	0.45%
CIT GROUP INC	5.200	11/03/10	2,000,000	2,000,000	1,967,342	0.14%
CIT GROUP INC	5.750	09/25/07	5,000,000	5,010,062	5,006,071	0.35%
CIT GROUP INC	5.800	07/28/11	3,000,000	3,029,706	2,992,158	0.21%
CVS CAREMARK CORP	5.750	06/01/17	5,000,000	4,804,712	4,824,110	0.33%
CENTEX CORP	5.700	05/15/14	3,000,000	2,997,162	2,849,705	0.20%
CITIGROUP INC	6.000	02/21/12	5,000,000	4,999,141	5,087,117	0.35%
CITIGROUP INC	3.625	02/09/09	5,000,000	4,996,131	4,879,875	0.34%
COMCAST CORP	5.450	11/15/10	5,000,000	5,007,177	4,973,915	0.34%
COMMERCIAL MORTGAGE TRUST 2006-C7	5.540	06/10/46	10,614,822	10,631,786	10,626,655	0.73%
CONOCOPHILLIPS CANADA	5.625	10/15/16	6,000,000	5,999,554	5,903,790	0.41%
CONTINENTAL AIRLINES EQ TRUST	6.563	08/15/13	5,000,000	5,013,070	5,156,250	0.36%
DETROIT EDISON CO	5.200	10/15/12	5,000,000	4,963,335	4,885,039	0.34%
DONNELLEY R R + SONS CO	4.950	04/01/14	5,000,000	4,858,980	4,567,835	0.32%
ENTERGY ARKANSAS INC	4.500	06/01/10	3,000,000	2,992,249	2,904,404	0.20%
FIFTH THIRD BANCORP	5.450	01/15/17	5,000,000	4,983,418	4,843,003	0.33%
FIRST CHICAGO CORP	6.375	01/30/09	2,000,000	1,969,443	2,033,701	0.14%
FORTUNE BRANDS INC	5.375	01/15/16	3,000,000	2,982,905	2,785,335	0.19%
GALENA CDO I	VAR	01/11/13	4,000,000	4,000,000	4,048,000	0.28%
GE COML MTG CORP TRUST 2002-C3	5.417	12/10/49	10,000,000	10,048,753	9,886,537	0.68%
GENERAL ELEC CAP CORP MTN	5.000	04/10/12	5,000,000	4,974,594	4,887,242	0.34%
GENERAL ELEC CAP CORP MTN	4.375	11/21/11	10,000,000	9,777,720	9,558,717	0.66%
GENERAL MOTORS ACCEPTANCE CORP	6.125	08/28/07	5,000,000	5,000,291	5,000,220	0.34%
GENWORTH FINANCIAL INC	5.650	06/15/12	5,000,000	4,989,114	5,021,207	0.35%
GOLDMAN SACHS GROUP INC	5.350	01/15/16	5,000,000	4,951,008	4,762,686	0.33%
GOLDMAN SACHS GROUP INC	5.300	02/14/12	5,000,000	4,996,161	4,920,795	0.34%
GOLDMAN SACHS GROUP INC	3.875	01/15/09	5,000,000	5,017,493	4,895,614	0.34%
HSBC FIN CORP	5.500	01/19/16	5,000,000	5,007,722	4,818,375	0.33%
HSBC FIN CORP	5.900	06/19/12	5,000,000	4,987,681	5,022,180	0.35%
HARTFORD FINANCIAL SVCS GROUP INC	5.375	03/15/17	5,000,000	4,986,969	4,801,849	0.33%
HERSHEY FOODS CORP	5.300	09/01/11	1,000,000	998,369	992,573	0.07%
HOUSEHOLD FINANCE CORP	4.750	05/15/09	1,000,000	999,676	990,110	0.07%
ING SEC LIFE INSTITUTIONAL FUND	4.250	01/15/10	3,000,000	2,996,663	2,915,238	0.20%
INTERNATIONAL LEASE FINANCE CORP	5.125	11/01/10	5,000,000	4,986,816	4,947,549	0.34%
INTERNATIONAL LEASE FINANCE CORP	4.550	10/15/09	5,000,000	5,059,886	4,901,430	0.34%
J P MORGAN CHASE + CO	3.500	03/15/09	10,000,000	9,979,732	9,716,165	0.67%
J P MORGAN COML MTG TRUST 2002-C3	4.200	07/12/35	15,222,311	15,287,748	14,808,881	1.02%
J P MORGAN COML MTG TRUST 2004-C1	3.053	01/15/38	1,834,149	1,833,800	1,773,958	0.12%
JP MORGAN COML MTG TRUST 2006-CIBC17	5.279	12/12/43	4,706,723	4,716,329	4,675,671	0.32%
JERSEY CENTRAL POWER + LIGHT CO	5.650	06/01/17	3,000,000	2,989,617	2,912,451	0.20%
KCT INTERMODAL EQUIP TRUST 1998	6.884	08/01/18	3,151,467	3,151,467	3,294,546	0.23%
KEY BANK NA	4.412	03/18/08	5,000,000	5,000,000	4,969,594	0.34%
KEY BANK NA	5.450	03/03/16	5,000,000	4,998,959	4,838,575	0.33%
KRAFT FOODS INC	4.125	11/12/09	3,000,000	2,993,079	2,906,259	0.20%
LEHMAN BROTHERS HLDGS INC	VAR	05/25/10	5,000,000	5,000,000	4,995,585	0.34%
LEHMAN BROTHERS HLDGS INC	5.000	01/14/11	5,000,000	4,984,414	4,913,026	0.34%
MGIC INVESTMENT CORP	5.625	09/15/11	4,000,000	3,999,292	3,989,398	0.28%
MARSH + MCLENNAN COS INC	7.125	06/15/09	3,000,000	2,998,544	3,082,619	0.21%

<b>Security Name</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Par</b>	<b>Book Value</b>	<b>Fair Value</b>	<b>%</b>
MCKESSON CORP	5.250	03/01/13	3,000,000	2,988,080	2,928,708	0.20%
MERRILL LYNCH + CO INC	4.125	01/15/09	5,000,000	4,999,095	4,919,064	0.34%
METLIFE INC	5.000	11/24/13	5,000,000	4,969,247	4,807,135	0.33%
MORGAN STANLEY	4.000	01/15/10	5,000,000	4,979,601	4,828,545	0.33%
MORGAN STANLEY	5.050	01/21/11	5,000,000	4,990,884	4,912,543	0.34%
NATIONAL CITY BANK	5.250	12/15/16	5,000,000	4,995,606	4,741,827	0.33%
NATIONWIDE FINANCIAL SERVICES INC	6.250	11/15/11	5,000,000	5,179,725	5,117,891	0.35%
PNC FUNDING CORP	4.200	03/10/08	5,000,000	4,999,458	4,959,522	0.34%
PPL MONTANA LLC	8.903	07/02/20	3,702,692	3,702,692	4,070,618	0.28%
PANAMERICAN BEVERAGES INC	7.250	07/01/09	3,000,000	3,018,196	3,090,000	0.21%
ALTRIA GROUP INC	7.650	07/01/08	5,000,000	5,122,049	5,110,453	0.35%
PRINCIPAL LIFE GLOBAL FUNDING	5.125	10/15/13	5,000,000	4,995,376	4,848,582	0.33%
PRUDENTIAL FINANCIAL INC	5.500	03/15/16	5,000,000	4,910,721	4,886,370	0.34%
SBC COMMUNICATIONS INC	5.300	11/15/10	5,000,000	4,992,674	4,964,947	0.34%
SLM CORP	4.500	07/26/10	5,000,000	4,991,408	4,711,256	0.32%
ST PAUL TRAVELERS COS INC	6.250	06/20/16	5,000,000	4,984,212	5,082,570	0.35%
SOUTHWEST GAS CORP	8.375	02/15/11	4,000,000	3,997,784	4,301,640	0.30%
UNION BANK CALIFORNIA	5.950	05/11/16	5,000,000	5,003,787	4,995,095	0.34%
UNION PACIFIC CORP	4.875	01/15/15	7,000,000	6,719,625	6,531,287	0.45%
VERIZON COMMUNICATIONS INC	5.550	02/15/16	5,000,000	4,965,444	4,882,552	0.34%
VERIZON NEW JERSEY INC	5.875	01/17/12	2,000,000	2,048,884	2,003,976	0.14%
WACHOVIA CORP	5.625	10/15/16	5,000,000	4,982,164	4,868,116	0.34%
WASHINGTON MUTUAL INC	4.200	01/15/10	5,000,000	4,996,163	4,846,065	0.33%
WELLPOINT INC	5.875	06/15/17	5,000,000	4,922,405	4,925,145	0.34%
WELLS FARGO + CO	4.625	04/15/14	5,000,000	4,853,823	4,712,373	0.33%
WELLS FARGO + CO	5.300	08/26/11	10,000,000	9,989,050	9,955,394	0.69%
WESTERN PROPERTIES REIT	7.200	09/15/08	1,000,000	992,846	1,020,755	0.07%
WYETH	5.500	02/01/14	5,000,000	4,993,625	4,942,819	0.34%
ZIONS BANCORPORATION	5.650	05/15/14	3,000,000	2,997,323	2,955,195	0.20%
<b>Corporate Bonds Rated</b>			<b>446,096,869</b>	<b>445,053,522</b>	<b>440,549,099</b>	<b>30.38%</b>
ENSCO OFFSHORE CO USGG XI	6.360	12/01/15	8,500,342	8,500,342	8,772,353	0.61%
GLOBAL INDUSTRIES LTD USGG XI	7.710	02/15/25	3,600,000	3,600,000	3,568,716	0.25%
MAYBANK NAVIGATION LLC USGG XI	7.620	07/25/20	3,375,000	3,375,000	3,269,194	0.23%
ROWAN COS INC USGG XI	5.880	03/15/12	11,362,000	11,362,000	11,477,097	0.79%
UNITED STATES TREASURY NOTES	3.000	02/15/09	2,000,000	1,975,842	1,940,625	0.13%
UNITED STATES TREASURY NOTES	4.000	02/15/15	20,000,000	18,905,852	18,721,876	1.29%
UNITED STATES TREASURY NOTES	4.500	02/15/09	5,000,000	4,981,558	4,966,016	0.34%
UNITED STATES TREASURY NOTES	4.625	03/31/08	3,000,000	2,994,968	2,991,094	0.21%
UNITED STATES TREASURY STRIP	0.000	11/15/17	4,200,000	2,516,015	2,473,519	0.17%
FNMA POOL 592327	5.500	06/01/16	570,524	561,587	565,465	0.04%
<b>U.S. Government Indirect -Backed</b>			<b>533,987,352</b>	<b>523,421,115</b>	<b>517,414,883</b>	<b>35.69%</b>
BGI EQUITY INDEX FUND B	NA	NA	480,587	68,406,676	100,545,339	6.93%
<b>Equity Index Fund</b>			<b>480,587</b>	<b>68,406,676</b>	<b>100,545,339</b>	<b>6.93%</b>
MONTANA RESIDENTIAL MORTGAGES	NA	NA	68,837,530	68,837,530	68,260,568	4.71%
MONTANA COAL TAX TRUST LOANS	NA	NA	226,767,173	226,767,173	226,767,173	15.64%
<b>Loans/Mortgages</b>			<b>295,604,703</b>	<b>295,604,703</b>	<b>295,027,741</b>	<b>20.35%</b>
2273 BOOT HILL COURT, BOZEMAN, MONTANA	NA	NA	2,073,887	2,073,887	2,082,014	0.14%
CALIFORNIA STREET, HELENA, MONTANA	NA	NA	205,591	205,591	214,359	0.01%
2401 COLONIAL DRIVE, HELENA, MONTANA	NA	NA	7,183,950	7,183,950	7,676,349	0.53%
1712 NINTH AVENUE, HELENA, MONTANA	NA	NA	514,569	514,569	579,625	0.04%
100 NORTH PARK AVENUE, HELENA, MONTANA	NA	NA	6,852,395	6,852,395	6,500,874	0.45%
STATE FUND BUILDING, HELENA, MT	NA	NA	1,139,460	1,139,460	1,139,460	0.08%
<b>Real Estate</b>			<b>17,969,852</b>	<b>17,969,852</b>	<b>18,192,681</b>	<b>1.25%</b>
<b>Total All Other Funds</b>			<b>1,375,153,733</b>	<b>1,428,644,473</b>	<b>1,449,900,519</b>	<b>100.00%</b>



**STATE OF MONTANA BOARD OF INVESTMENTS ENTERPRISE FUND**  
**STATEMENT OF NET ASSETS AS OF JUNE 30, 2007 AND 2006**

Assets	<u>2007</u>	<u>2006</u>
<b>Current assets:</b>		
Cash and cash equivalents (Note 1)	\$ 29,712,816	\$ 11,242,417
Interest receivable	861,104	1,013,345
Notes/loans receivable (Note 1)	8,170,378	8,289,836
Interfund notes/loans and interest receivable (Note 1)	5,070,334	4,184,376
Component Unit notes/loans and interest receivable (Note 1)	1,816,397	1,719,797
Short-term investments at fair value (Notes 1 and 2)	1,062,636	1,517,934
Security lending cash collateral (Note 3)	0	3,172
Prepaid expenses	0	25
<b>Total current assets</b>	<b><u>46,693,665</u></b>	<b><u>27,970,902</u></b>
<b>Noncurrent assets:</b>		
Restricted investments at fair value (Notes 1 and 2)	3,630,292	4,598,906
Notes/loans receivable (Note 1)	32,280,486	36,840,193
Interfund notes/loans and interest receivable (Note 1)	18,045,342	16,131,846
Component Unit notes/loans receivable (Note 1)	5,184,483	6,575,176
Capitalized cost of issue (Note 1)	1,526,132	1,299,044
Equipment	2,990	2,990
Accumulated depreciation	<u>(2,930)</u>	<u>(2,930)</u>
<b>Total noncurrent assets</b>	<b><u>60,666,795</u></b>	<b><u>65,445,225</u></b>
<b>Total assets</b>	<b><u>\$ 107,360,460</u></b>	<b><u>\$ 93,416,127</u></b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Advances	\$ 58,968	\$ 0
Due to other funds	5,280	3,818
Accrued expenses	21,231	24,224
Accrued interest payable	1,342,468	1,152,351
Security lending obligations (Note 3)	0	3,172
Arbitrage rebate tax payable	34,768	35,493
Compensated absences	16,637	17,297
Current bonds/notes payable (Note 4)	<u>99,122,441</u>	<u>84,558,615</u>
<b>Total current liabilities</b>	<b><u>100,601,793</u></b>	<b><u>85,794,970</u></b>
<b>Noncurrent liabilities</b>		
Bonds/notes payable (Note 4 )	2,014,709	2,147,858
Compensated absences	28,574	25,247
Arbitrage rebate tax payable	<u>24,553</u>	<u>93,750</u>
<b>Total noncurrent liabilities</b>	<b><u>2,067,836</u></b>	<b><u>2,266,855</u></b>
<b>Total liabilities</b>	<b><u>\$ 102,669,629</u></b>	<b><u>\$ 88,061,825</u></b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ 60	\$ 60
Restricted (Note 1)	3,077,614	2,920,959
Unrestricted	<u>1,613,157</u>	<u>2,433,283</u>
<b>Total net assets (Note 7)</b>	<b><u>\$ 4,690,831</u></b>	<b><u>\$ 5,354,302</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 107,360,460</u></b>	<b><u>\$ 93,416,127</u></b>

The accompanying notes are an integral part of these financial statements.

**STATE OF MONTANA BOARD OF INVESTMENTS ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

	<b><u>2007</u></b>	<b><u>2006</u></b>
<b>Operating revenue</b>		
Reimbursements	\$ 22,344	\$ 6,794
Investment income	931,678	570,079
Security lending income	25	259
Financing income	<u>3,449,992</u>	<u>3,049,576</u>
 <b>Total operating revenue</b>	 <u>4,404,039</u>	 <u>3,626,708</u>
 <b>Operating expenses</b>		
Personal services	256,017	249,637
Contracted services	32,349	21,890
Supplies and materials	4,443	10,382
Communications	6,866	6,152
Travel	1,751	2,789
Rent	42,218	41,103
Repair and maintenance	300	1,072
Indirect and other costs	37,942	38,294
Depreciation expense	0	244
Arbitrage rebate tax expense (Note 9)	(51,294)	3,600
Security lending expense	25	258
Debt service		
Interest expense	3,489,805	2,709,327
Trustee fee expense	46,356	70,888
Bond issuance cost amortization expense	98,081	93,746
Other debt service expense	<u>202,577</u>	<u>191,372</u>
 <b>Total operating expenses</b>	 <u>4,167,436</u>	 <u>3,440,754</u>
 <b>Operating income</b>	 <u>236,603</u>	 <u>185,954</u>
 <b>Nonoperating (expense):</b>		
Transfers to other funds (Note 8)	(900,074)	0
 Change in net assets	 (663,471)	 185,954
Beginning net assets	5,354,302	5,168,348
Ending net assets (Note 7)	\$ 4,690,831	\$ 5,354,302

The accompanying notes are an integral part of these financial statements.

**STATE OF MONTANA BOARD OF INVESTMENTS ENTERPRISE FUND  
STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>Cash flows from operating activities:</b>		
Receipts for sales and services	\$ 22,344	\$ 6,794
Payments to suppliers for goods and services	(137,459)	(108,356)
Payments to employees	(243,266)	(248,828)
Net cash (used for) operating activities	<u>(358,381)</u>	<u>(350,390)</u>
<b>Cash flows from non-capital financing activities:</b>		
Payment of principal and interest on bonds and notes	(5,649,519)	(5,308,863)
Proceeds from issuance of bonds and notes	16,531,576	1,103,404
Payment of bond issue costs	(325,169)	0
Transfers to other funds (Note 8)	(900,073)	0
Net cash provided by (used for) non-capital financing activities	<u>9,656,815</u>	<u>(4,205,459)</u>
<b>Cash flows from investing activities:</b>		
Collections for principal and interest on loans	27,151,788	20,807,207
Cash payments for loans	(20,285,810)	(22,518,931)
Purchase of investments	0	(2,146,092)
Proceeds from security lending	25	259
Security lending costs	(25)	(258)
Proceeds from sales or maturities of investments	1,520,601	1,793,553
Interest on investments	804,013	700,215
(Payment for) refund from arbitrage rebate tax	<u>(18,627)</u>	<u>11,488</u>
Net cash provided by (used for) investing activities	<u>9,171,965</u>	<u>(1,352,559)</u>
Net increase (decrease) in cash and cash equivalents	18,470,399	(5,908,408)
Cash and cash equivalents, July 1	<u>11,242,417</u>	<u>17,150,825</u>
Cash and cash equivalents, June 30	<u>29,712,816</u>	<u>11,242,417</u>
<b>Reconciliation of net income to net cash (used for) operating activities:</b>		
Net operating income	236,603	185,954
Adjustments to reconcile net income to net cash (used for) operating activities		
Depreciation	0	244
Interest on investments	(931,678)	(570,079)
Financing income	(3,449,992)	(3,049,576)
Interest expense	3,836,819	3,065,333
Security lending income	(25)	(259)
Security lending expense	25	258
Arbitrage rebate tax expense	(51,294)	3,600
Change in assets and liabilities:		
(Increase) decrease in other assets	25	(2)
Increase (decrease) in other payables	(2,993)	13,451
Increase (decrease) in due to other funds	1,462	963
Increase (decrease) in compensated absences payable	2,667	(277)
Total adjustments	<u>(594,984)</u>	<u>(536,344)</u>
Net cash (used for) operating activities	<u>\$ (358,381)</u>	<u>\$ (350,390)</u>
<b>Schedule of noncash transactions:</b>		
Increase/decrease in fair value of investments	\$ (91,775)	\$ 105,458
Total noncash transactions	<u>\$ (91,775)</u>	<u>\$ 105,458</u>

The accompanying notes are an integral part of these financial statements.

## STATE OF MONTANA BOARD OF INVESTMENTS ENTERPRISE FUND

### NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Basis of Accounting

The Board uses the accrual basis of accounting for the Enterprise Fund. Under the accrual basis of accounting, expenses are recorded when incurred and revenues are recorded when earned. The financial statements are prepared from the Statewide Accounting, Budgeting, and Human Resource System (SABHRS) and information contained in the bond trustee statements. The statements include the financial activity administered by the Board in the Enterprise Fund.

##### b. Presentation of Programs

The Board uses the Enterprise Fund to account for its programs created under the Economic Development Bond Act and the Municipal Finance Consolidation Act.

Economic Development Bond Act programs include:

- The Stand Alone Economic Development Bond Program provides access to limited economic development projects through the issuance of conduit debt.
- The Conservation Reserve Enhancement Program (CRP), created in 1990 by issuing bonds, allows farmers to receive a lump sum payment by assigning their federal CRP contract to the Board. The farmers under contract must comply with seeding and other requirements. The Conservation Reserve Enhancement Program is currently funded by the Montana Trust Funds Bond Pool.
- The Family Friendly Business Loan Program provided zero interest loans to qualified business owners who hire participants of the Families Achieving Independence in Montana (FAIM) employment and training component. The Department of Health and Human Services pays the interest on the loans. As of June 30, 2006, all loans are paid in full and the program is inactive.

Municipal Finance Consolidation Act programs include:

- The INTERCAP loan program provides funds to eligible Montana governments to finance capital expenditures for up to ten years.
- The Irrigation District Pooled Loan Program provided funds for the Board to purchase the refunding bonds from participating irrigation districts for the purpose of prepaying the U.S. Department of Interior, Bureau of Reclamation Projects Loans.

##### c. Fixed Asset Depreciation

The equipment fixed assets recorded in the Enterprise Fund are depreciated on a straight-line basis value, in accordance with state policy.

##### d. Receivables

The Enterprise Fund notes/loans receivables of \$70,047,071 as of June 30, 2007 and \$73,247,245 as of June 30, 2006, represent loans made to Montana businesses, state and local governments. The Enterprise Fund notes/loans are classified in three categories as follows:

- 1) Notes/loans receivable from local governments and Montana businesses
- 2) Interfund notes/loans receivable from state agency governments
- 3) Component Unit notes/loans receivable from certain state agencies and university units for which the State is financially accountable.

In May 2006, the Enterprise Fund wrote off a \$37,223 loan principal balance for the Meadowlark Mulch loan. The Family Friendly Business Loan Program funded \$39,936 for this loan in January 1999.

The InterFund notes/loans receivable as of June 30, 2007 and 2006 includes \$520,349 and \$493,979, respectively, in interest accruals from state agencies and university units.

e. Capitalized Cost of Issue

The Enterprise Fund capitalized cost of issue asset of \$1,526,132 and \$1,299,044 as of June 30, 2007 and June 30, 2006, respectively, represents paid bond issuance costs which have been capitalized and are being amortized, using the straight-line method over the life of the bonds.

f. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents, as identified in the Statement of Net Assets, are as follows:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Cash in treasury	\$ 21,952	\$ 24,092
Cash with fiscal agent	45,000	2,110
Short Term Investment Pool (STIP)	220,203	193,429
First American Treasury Obligation Fund	<u>29,425,661</u>	<u>11,022,786</u>
Total Cash and Cash Equivalents	\$ 29,712,816	\$ 11,242,417

The Enterprise Fund invests its operational cash in the Board's Short Term Investment Pool (STIP), an external investment pool. An external investment pool commingles the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. STIP participants include both state agencies and local governments. By meeting certain conditions, STIP, as a 2a7-like pool, is allowed to use amortized cost rather than fair value to report net assets to compute unit values.

g. Restricted Net Assets

The Statement of Net Assets for the Enterprise Fund reports restricted assets. Net assets are reported as restricted when constraints placed on net asset use are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.

The net assets of all Enterprise Fund programs with the exception of MEDB (Montana Economic Development Bonds) Guarantee Fund Account, MEDB Guarantee CRP Note Reserve, MEDB Contingency Account, MEDB Family Friendly Account and CRP are restricted under bond indentures governing the use of these funds.

h. Investments

Investments are presented in the Statement of Net Assets at fair value. Investment fair values for publicly traded securities are determined primarily by reference to market prices supplied to the Board's trustee. Amortized cost, or carrying value, represents the original cost, adjusted for premium and discount amortization where applicable. Premiums and discounts are amortized/accreted using the straight-line method to the maturity date of the securities.

## 2. INVESTMENT RISK DISCLOSURES

Effective June 30, 2005, the Board implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40 – Deposit and Investment Risk Disclosures. The investment risk disclosures are described in the following paragraphs.

The Enterprise Fund deposits and investments are restricted by the bond trust indentures to the following: government and agency obligations, certificates of deposits, repurchase agreements, and investment agreements. Deposits and investments must be made with Montana banks or in the Short Term Investment Pool (STIP) administered by the Board.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Enterprise Fund's U.S. government direct-backed securities, consisting of U.S. Treasury notes and bills, are guaranteed directly by the U.S. government. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The credit ratings presented in the table below are provided by S&P's rating services.

#### Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2007 and 2006, Enterprise Fund securities were recorded in book entry form in the name of U.S. Bank National Association as Trustee for the Montana Board of Investments by specific account.

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Enterprise Fund investments represent investments directly issued or explicitly guaranteed by the U.S. government and investments in mutual funds. These investments are excluded from the concentration of credit risk requirement.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Enterprise Funds' bond indentures do not formally address interest rate risk. In accordance with GASB Statement No. 40, the Board has selected the duration method to disclose interest rate risk.

State of Montana Enterprise Fund investments are categorized below to disclose credit and interest rate risk as of June 30, 2007 and June 30, 2006. Credit risk reflects the bond quality rating, by investment type, as of the June 30 report date. Interest rate risk is disclosed using duration as calculated by Board staff. If a bond investment type is unrated, the quality type is indicated by NR (not rated). Both the credit quality ratings and duration have been calculated excluding cash equivalents. If duration has not been calculated, duration is indicated by NA (not applicable).

#### Credit Quality Rating and Effective Duration as of June 30, 2007

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality</u>	<u>Effective Duration</u>
First American Treasury Obligation Fund	\$ 29,425,661	AAA	NA
Short Term Investment Pool (STIP)	220,203	NR	NA
U.S. Government Direct-Backed	<u>4,692,928</u>	<u>AAA</u>	<u>1.76</u>
Total Investments	<u>\$ 34,338,792</u>	<u>AAA</u>	<u>1.76</u>
Securities Lending Collateral Investment Pool	\$ 0	NR	NA

#### Credit Quality Rating and Effective Duration as of June 30, 2006

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality</u>	<u>Effective Duration</u>
First American Treasury Obligation Fund	\$ 11,022,786	AAA	NA
Short Term Investment Pool (STIP)	193,429	NR	NA
U.S. Government Direct-Backed	<u>6,116,840</u>	<u>AAA</u>	<u>2.15</u>
Total Investments	<u>\$ 17,333,055</u>	<u>AAA</u>	<u>2.15</u>
Securities Lending Collateral Investment Pool	\$ 3,172	NR	NA

There were no derivative transactions during the above fiscal years for investments held by the trustee.

### 3. SECURITY LENDING

The Enterprise Fund is a participant in the Board's Short Term Investment Pool (STIP). In fiscal years 2007 and 2006, security lending transactions were recorded for STIP.

The Board is authorized by law to lend its securities and has contracted with the custodial bank to lend the Board's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. During the period the securities are on loan, the Board receives a fee and the custodial bank must initially receive collateral equal to 102 percent of the fair value of the loaned securities and maintain collateral equal to not less than 102 percent of the fair value of the loaned security. The Board retains all rights and risks of ownership during the loan period.

During fiscal years 2007 and 2006, the custodial bank loaned certain Board securities and received U.S. dollar currency cash, U.S. government and government sponsored securities, US corporate debt securities, supranational agencies debt, asset backed securities and irrevocable bank letters of credit. The custodial bank does not have the ability to pledge or sell collateral securities unless the borrower defaults.

The Board did not impose any restrictions during fiscal years 2007 and 2006 on the amount of Board securities the custodial bank could loan. There were no failures by any borrowers to return loaned securities or pay distributions thereon during fiscal years 2007 and 2006. Moreover, there were no losses during fiscal years 2007 and 2006 resulting from a default of the borrowers or the custodial bank.

During fiscal years 2007 and 2006, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool. The Securities Lending Quality Trust has a weighted average maturity of 66 and 56 days, respectively, as of June 30, 2007 and 2006. The Quality D Trust has a weighted average maturity of 68 and 58 days, respectively, as of June 30, 2007 and 2006. The relationship between the average maturities of the investment pool and the Board's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the Board could not determine. At year-end, the Board had no credit risk exposure to borrowers because the collateral pledged by the borrowers exceeded the value of the securities borrowed.

#### **4. BONDS PAYABLE**

##### **Long-Term Bonds Payable**

###### **Economic Development Bonds (EDB) and Municipal Finance Consolidation Act Bonds (MFCAB)**

These bonds are issued under the Economic Development Bond Act, and the Municipal Finance Consolidation Act, for the purpose of assisting Montana's small businesses and local governments in obtaining low cost financing. Outstanding obligations are listed as follows (in thousands):

###### **Bonds Payable as of June 30, 2007**

<b>Program</b>	<b>Series</b>	<b>Amount Issued</b>	<b>Interest Range %</b>	<b>Principal Payments FY 2008</b>	<b>Principal Payments @ Maturity</b>	<b>Balance June 30, 2007</b>
Municipal Finance Consolidation Act Bonds (Irrigation Program) (1)	1988	\$ 4,976	6.60-7.75	\$ 45	70 (2014)	\$ 390
Conservation Reserve Enhancement Program (CRP Bonds) (2)		2,287	6.00-7.50	617	102(2016)	2,287
Total Bonds Payable		<u>\$ 7,263</u>		<u>\$ 662</u>		<u>\$ 2,677</u>
Less Current Portion (FY2007 Principal Payments)						(662)
Total Long-Term Bonds Payable						<u>\$ 2,015</u>

###### **Bonds Payable as of June 30, 2006**

<b>Program</b>	<b>Series</b>	<b>Amount Issued</b>	<b>Interest Range %</b>	<b>Principal Payments FY 2007</b>	<b>Principal Payments @ Maturity</b>	<b>Balance June 30, 2006</b>
Municipal Finance Consolidation Act Bonds (Irrigation Program) (1)	1988	\$ 4,976	6.60-7.75	\$ 40	70 (2014)	\$ 430
Conservation Reserve Enhancement Program (CRP Bonds) (2)		2,656	6.00-7.50	898	108(2011)	2,656
Total Bonds Payable		<u>\$ 7,632</u>		<u>\$ 938</u>		<u>\$ 3,086</u>
Less Current Portion (FY2006 Principal Payments)						(938)
Total Long-Term Bonds Payable						<u>\$ 2,148</u>

(1) The Board issued these bonds to provide funds to purchase the Refunding Bonds of participating Irrigation Districts for the purpose of prepaying the U.S. Department of Interior, Bureau of Reclamation Projects Loans. The Irrigation Bonds and the interest thereon are

payable solely from the collection of a special tax or assessment which is a lien against real property in the Irrigation District. While the Irrigation Bonds are not obligations of the State of Montana, the bonds are limited obligations of the Board due to an irrevocable pledge to lend money for deposit by the Trustee of the Irrigation District Pooled Loan Program Reserve Account E in an amount equal to any deficiencies therein on any payment date. The Indenture does not permit the issuance of additional bonds.

(2) The Conservation Reserve Enhancement Program is funded by the Montana Trust Funds Bond Pool.

**Future debt service as of June 30, 2007 is listed below (in thousands):**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013-16</u>	<u>Total</u>
Principal	\$ 662	\$ 486	\$ 331	\$ 290	\$ 222	\$ 686	\$ 2,677
Interest	\$ 181	\$ 136	\$ 103	\$ 80	\$ 60	\$ 96	\$ 656
Total	<u>\$ 843</u>	<u>\$ 622</u>	<u>\$ 434</u>	<u>\$ 370</u>	<u>\$ 282</u>	<u>\$ 782</u>	<u>\$ 3,333</u>

**Future debt service as of June 30, 2006 is listed below (in thousands):**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012-14</u>	<u>Total</u>
Principal	\$ 938	\$ 977	\$ 533	\$ 280	\$ 163	\$ 195	\$ 3,086
Interest	\$ 197	\$ 138	\$ 76	\$ 42	\$ 24	\$ 24	\$ 501
Total	<u>\$ 1,135</u>	<u>\$ 1,115</u>	<u>\$ 609</u>	<u>\$ 322</u>	<u>\$ 187</u>	<u>\$ 219</u>	<u>\$ 3,587</u>

**Current Bonds Payable**

The Enterprise Fund is authorized to issue INTERCAP bonds under the Municipal Finance Consolidation Act. These bonds may not aggregate more than \$190 million as amended by the 2007 Legislature. The INTERCAP bonds provide funds for the Board to make loans to eligible government units. The bonds are not a debt or liability of the State of Montana. The bonds are limited obligations of the Board payable solely from: a) repayments of principal and interest on loans made by the Board to participating eligible Montana governments; b) investment income under the indenture; and c) an irrevocable pledge by the Board. The Board has no taxing power. These bonds may be redeemed, at the bondholder's option, any March 1, prior to maturity. The Board did not enter into an arms-length financing agreement to convert the bonds "put", or tender, but not resold into some other form of long-term obligation. Accordingly, these bonds, considered demand bonds, are recorded as current liabilities of the Enterprise Fund.

The INTERCAP obligations at June 30, 2007 and June 30, 2006, are listed below (in thousands):

<u>Series</u>	<u>Amount</u>	<u>Interest</u>			<u>Balance</u>		<u>Balance</u>
			<u>Issued</u>	<u>Range</u>	<u>Maturity</u>	<u>June 30, 2007</u>	
1994	\$ 7,500	Variable			2009	\$ 6,745	\$ 6,745
1995	7,500	Variable			2010	6,915	6,915
1997	10,000	Variable			2017	9,605	9,605
1998	12,500	Variable			2018	12,200	12,200
2000	15,000	Variable			2025	14,865	14,865
2003	15,000	Variable			2028	14,755	14,815
2004	18,500	Variable			2029	18,375	18,475
2007	<u>15,000</u>	Variable			2032	<u>15,000</u>	<u>0</u>
<b>Total INTERCAP Debt</b>	<b><u>\$ 101,000</u></b>					<b>98,460</b>	<b>83,620</b>
<b>Current Portion of Long-Term Bonds Payable</b>						<b>662</b>	<b>938</b>
<b>Current Bonds Payable</b>						<b>\$ 99,122</b>	<b>\$ 84,558</b>

## 5. OTHER DEBT

### Conduit Debt

In this program, the Board is authorized to issue stand-alone industrial revenue bonds, under the Economic Development Act, as conduit (no commitment) debt. Assets and revenues of the borrower are pledged to repay the bonds. Because the Board has no obligation for this debt, these bond issues are not reflected on the Board's financial statements. Bonds issued by the Board as conduit (no-commitment) debt are listed below (in thousands):

<u>Project</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	Balance June 30, 2007	Balance June 30, 2006
Colstrip	October 1989	12/30/15	\$ 60,800	\$ 48,100	\$ 50,700
Yellowstone Energy (BGI)	July 1993	12/31/19	118,345	113,145	115,145
Stillwater Mining	July 2000	07/01/20	30,000	30,000	30,000
Gainey Foundation	October 2002	09/01/14	6,000	4,245	4,700
Total conduit debt			\$ 215,145	\$ 195,490	\$ 200,545

### QZAB Debt

In this program, the Board is authorized to issue Qualified Zone Academy Bonds (QZAB), under the Municipal Finance Consolidation Act, as conduit (no commitment) debt. The revenues, and in some cases the taxing power, of the borrower are pledged to repay the bonds. Because the Board has no obligation for this debt, these bond issues are not reflected on the Board's financial statements. Bonds issued by the Board as QZAB conduit (no-commitment) debt are listed below (in thousands):

<u>Project</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	Balance June 30, 2007	Balance June 30, 2006
Huntley Project K-12 Schools	December 2000	07/01/13	\$ 750	\$ 750	\$ 750
Bozeman Public Schools	November 2003	11/25/12	1,586	1,586	1,586
Philipsburg Schools	December 2003	12/10/17	2,000	2,000	2,000
Cut Bank Elementary	August 2005	08/18/21	825	825	825
Cut Bank High School	August 2005	08/18/21	625	625	625
Bozeman Public Schools	December 2006	12/19/15	1,459	1,459	0
Total QZAB conduit debt			\$ 7,245	\$ 7,245	\$ 5,786

## 6. INTERCAP PROGRAM LOAN COMMITMENTS

The Board makes firm commitments to fund loans from the INTERCAP loan program. As of June 30, 2007 and 2006, respectively, the Board committed to make loans to eligible Montana governments totaling \$ 33,237,729 and \$30,929,351.

## 7. NET ASSETS

Net Assets represents the accumulated net profits of the Enterprise Fund programs. The Net Assets for fiscal years ended June 30, 2007 and June 30, 2006 include (\$64,229) and (\$156,004), respectively, in unrealized appreciation (depreciation) in reporting the fair value of the Enterprise Fund investments.

## 8. TRANSFERS TO OTHER FUNDS

In fiscal year 2007, the Enterprise Fund transferred \$900,074 to the Board of Investment's Investment account. No transfers were made in fiscal year 2006.

## 9. ARBITRAGE

The fiscal year 2007 Arbitrage Rebate Tax Expense represents an over accrual of estimated arbitrage liability as calculated by a contracted vendor.

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